

CITY OF MENOMINEE, MICHIGAN

Annual Financial Report

June 30, 2005

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name City of Menominee	County Menominee
Audit Date 6/30/05	Opinion Date 11/29/05	Date Accountant Report Submitted to State: 12/29/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

RECEIVED
DEPT. OF TREASURY

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

JAN 04 2006

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

LOCAL AUDIT & FINANCE DIV.

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGR).			X

Certified Public Accountant (Firm Name) KERBER, ROSE & ASSOCIATES, S.C.			
Street Address 1727 Stephenson Street	City Marinette	State WI	ZIP 54143
Accountant Signature <i>Madley R. Walker, CPA</i>		Date 12/29/05	

CITY OF MENOMINEE, MICHIGAN

Table of Contents

June 30, 2005

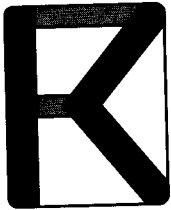
	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1 – 2
MANAGEMENT DISCUSSION AND ANALYSIS	3 – 10
FINANCIAL STATEMENTS:	
Government Wide Statement of Net Assets	11
Government Wide Statement of Activities	12 – 13
Balance Sheet – Governmental Funds	14 – 15
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	16 – 17
Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balances – Governmental Funds to the Statement of Activities	18
Statement of Net Assets – Proprietary Funds	19 – 20
Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Funds	21 – 22
Statement of Cash Flows – Proprietary Funds	23 – 24
Statement of Net Assets – Fiduciary Funds	25
Statement of Changes in Net Assets – Fiduciary Funds	26
Notes to the Basic Financial Statements	27 – 54
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Comparisons – General Fund	55 – 56
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Comparisons – Major Street Fund	57
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Comparisons – Local Street	58
Schedule of Revenues, Expenditure and Changes in Fund Balance – Budget and Actual Comparisons – Menominee Iron Works	59
Notes to Required Supplementary Information	60

CITY OF MENOMINEE, MICHIGAN

Table of Contents (Continued)

June 30, 2005

	<u>Page</u>
SUPPLEMENTARY INFORMATION:	
Schedule of Detailed Revenues – Budget and Actual – General Fund	61 – 62
Schedule of Detailed Expenditures – Budget and Actual – General Fund	63 – 70
Combining Balance Sheet – Nonmajor Governmental Funds	71 – 72
Combining Statement of Revenue, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	73 – 74
Combining Statement of Net Assets – Nonmajor Proprietary Funds	75
Combining Statement of Revenues, Expenses and Changes in Net Assets – Nonmajor Proprietary Funds	76
Combining Statement of Cash Flows – Nonmajor Proprietary Funds	77
Combining Statement of Net Assets – Employee Trust Fund	78
Combining Statement of Changes in Net Assets – Employee Trust Fund	79
ADDITIONAL INDEPENDENT AUDITORS' REPORTS ON BASIC FINANCIAL STATEMENTS:	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	80 – 81



KERBER, ROSE & ASSOCIATES, S.C.

Certified Public Accountants

1727 Stephenson Street • P.O. Box 75 • Marinette, WI 54143-0075
(715) 735-9321 • Fax (715) 735-5899

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members
of the City Council
City of Menominee, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Menominee, Michigan ("City") as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2005, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 3 through 10 and budgetary comparison information on pages 55 through 59 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The general fund schedule of detailed revenues – budget and actual on pages 61 through 62, the general fund schedule of detailed expenditures – budget and actual on pages 63 through 70, and the combining and individual nonmajor fund financial statements on pages 71 through 79 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, general fund schedule of detailed revenue – budget and actual, and general fund schedule of detailed expenditures – budget and actual have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Kerber, Rose & Associates, S.C.

KERBER, ROSE & ASSOCIATES, S.C.

Certified Public Accountants

November 29, 2005

CITY OF MENOMINEE

GEORGE W. KRAH, MAYOR

ANTHONY D. FURTON, CITY MANAGER

CITY HALL • 2511 10TH STREET • MENOMINEE, MICHIGAN 49858-1995 • PHONE (906) 863-2656 TDD (800) 649-3777

Management's Discussion and Analysis

As management of the City of Menominee, we offer readers of the City's financial statements this overview of the financial activities of the City for the fiscal year ended June 30, 2005. Please read it in conjunction with the City's financial statements, which begin on page 10.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded the liabilities as of June 30, 2005 by \$48,331,187 (net assets). Of this amount, \$5,126,496 were unrestricted net assets. The net assets for government activities were \$27,379,529 and for business-type activities \$20,951,658.
- The total net assets increased by \$339,684 during the fiscal year.
- The general fund balance is \$1,287,125 with \$110,632 reserved and \$1,176,493 unreserved. Of the unreserved fund balance, \$295,029 is designated and \$881,464 is undesignated, or approximately 18 percent of the anticipated general fund expenditures for 2005-2006 fiscal year.
- The General Obligation Debt decreased by \$1,187,733 during fiscal year 2005.
- The Capital Assets increased by \$1,291,846 net of depreciation during the fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

1. Government-wide Financial Statements.

The government-wide financial statements (pages 11-13) provide readers with a broad overview of the finances of the City of Menominee, in a manner similar to a private sector business.

The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of the City's financial position.

"Menominee - Where the Best of Michigan Begins"

The City of Menominee is an Equal Opportunity Provider and Employer

The Statement of Net Assets shows the restricted net assets and unrestricted net assets. The unrestricted assets are the assets that can be spent under the City's discretion. The restricted assets are the assets that are constrained by external regulations on how they may be used, such as debt covenants, enabling legislation, or other legal requirements, and they can not be spent under the City's discretion. The City's total unrestricted net assets were \$5,126,496 at fiscal year end June 30, 2005, with the majority in the governmental activities.

The largest portion of the net assets for the business-type activities reflect the investment in capital assets (i.e., land, buildings, machinery and equipment, and infrastructure), less any related debt used to purchase those assets that is still outstanding. The City uses these capital assets to provide services to citizens, these assets are not available for future spending.

**Statement of Net Assets
June 30, 2005**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Current and other assets	\$ 7,573,792	\$ 3,025,224	\$ 10,599,016
Capital assets	<u>26,237,231</u>	<u>22,444,200</u>	<u>48,681,431</u>
Total Assets	<u>33,811,023</u>	<u>25,469,424</u>	<u>59,280,447</u>
LIABILITIES			
Current and other liabilities	1,021,237	474,085	1,495,322
Long-term liabilities outstanding	<u>5,410,257</u>	<u>4,043,681</u>	<u>9,453,938</u>
Total Liabilities	<u>6,431,494</u>	<u>4,517,766</u>	<u>10,949,260</u>
NET ASSETS			
Invested in capital assets, net of related debt	21,061,228	17,501,619	38,562,847
Restricted	3,066,234	1,575,610	4,641,844
Unrestricted	<u>3,252,067</u>	<u>1,874,429</u>	<u>5,126,496</u>
Total Net Assets	<u>\$ 27,379,529</u>	<u>\$ 20,951,658</u>	<u>\$ 48,331,187</u>

Assets exceeded liabilities by \$48,331,187 at June 30, 2005.

Statement of Net Assets
June 30, 2004

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Current and other assets	\$ 9,177,767	\$ 3,094,619	\$ 12,272,386
Capital assets	<u>24,965,429</u>	<u>22,424,156</u>	<u>47,389,585</u>
Total Assets	<u>34,143,196</u>	<u>25,518,775</u>	<u>59,661,971</u>
 LIABILITIES			
Current and other liabilities	699,278	410,140	1,109,418
Long-term liabilities outstanding	<u>6,100,770</u>	<u>4,460,280</u>	<u>10,561,050</u>
Total Liabilities	<u>6,800,048</u>	<u>4,870,420</u>	<u>11,670,468</u>
 NET ASSETS			
Invested in capital assets, net of related debt	19,100,792	17,358,055	36,458,847
Restricted	3,671,892	1,805,310	5,477,202
Unrestricted	<u>4,570,464</u>	<u>1,484,990</u>	<u>6,055,454</u>
Total Net Assets	<u>\$ 27,343,148</u>	<u>\$ 20,648,355</u>	<u>\$ 47,991,503</u>

Assets exceeded liabilities by \$47,991,503 at June 30, 2004.

The Statement of Activities presents information showing how the City's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the terms of related cash flows. The net assets increased by \$339,684.

In the Statement of Net Assets and the Statement of Activities, the City is divided into two kinds of activities: Governmental activities and Business-type activities.

The governmental activities of the City include police, fire, public works, parks, recreation, and general administration. Property taxes, state shared revenue, and state and federal grants finance most of the activities. Also, all the special revenue funds, debt service funds, capital project funds, and permanent funds are also included here.

The business-type activities include the Water Treatment Utility, Wastewater Treatment Utility, Marina, River Park, and Industrial Aid. The City charges a fee to customers to help it cover the cost of certain services it provides.

Statement of Activities
Year Ended June 30, 2005

	Governmental Activities	Business-Type Activities	Total
REVENUES			
Program revenue	\$ 612,155	\$ 2,997,083	\$ 3,609,238
Operating grants and contributions	1,258,693	-	1,258,693
Capital grants and contributions	570,812	8,183	578,995
GENERAL REVENUES			
Property taxes	3,496,520	-	3,496,520
State and federal aids not restricted to specific functions	1,192,088	-	1,192,088
Interest and investment earnings	149,730	47,196	196,926
Other	73,079	(29,725)	43,354
Total Revenues	<u>7,353,077</u>	<u>3,022,737</u>	<u>10,375,814</u>
EXPENSES			
General government	878,226	-	878,226
Public safety	2,686,560	-	2,686,560
Public works	2,450,234	-	2,450,234
Culture and recreation	987,266	-	987,266
Other	116,497	-	116,497
Interest and fiscal charges	197,913	-	197,913
Water treatment	-	910,457	910,457
Wastewater treatment	-	1,146,322	1,146,322
Marina	-	555,670	555,670
River Park	-	106,649	106,649
Industrial Aid	-	336	336
Total Expenses	<u>7,316,696</u>	<u>2,719,434</u>	<u>10,036,130</u>
Increase in net assets	36,381	303,303	339,684
Net assets - July 1, 2004	<u>27,343,148</u>	<u>20,648,355</u>	<u>47,991,503</u>
Net assets - June 30, 2005	<u>\$ 27,379,529</u>	<u>\$ 20,951,658</u>	<u>\$ 48,331,187</u>

Statement of Activities
Year Ended June 30, 2004

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
REVENUES			
Program revenue	\$ 499,348	\$ 2,761,696	\$ 3,261,044
Operating grants and contributions	1,081,916	-	1,081,916
Capital grants and contributions	352,298	92,141	444,439
GENERAL REVENUES			
Property taxes	3,234,560	-	3,234,560
State and federal aids not restricted to specific functions	1,245,520	-	1,245,520
Interest and investment earnings	94,746	24,444	119,190
Other	44,847	-	44,847
Total Revenues	<u>6,553,235</u>	<u>2,878,281</u>	<u>9,431,516</u>
EXPENSES			
General government	708,774	-	708,774
Public safety	2,466,413	-	2,466,413
Public works	1,839,212	-	1,839,212
Culture and recreation	1,089,729	-	1,089,729
Other	208,002	-	208,002
Interest and fiscal charges	271,226	-	271,226
Water treatment	-	897,681	897,681
Wastewater treatment	-	1,144,937	1,144,937
Marina	-	491,659	491,659
River Park	-	105,290	105,290
Industrial Aid	-	688	688
Total Expenses	<u>6,583,356</u>	<u>2,640,255</u>	<u>9,223,611</u>
Increase (Decrease) in net assets	(30,121)	238,026	207,905
Net assets - July 1, 2003	<u>27,373,269</u>	<u>20,410,329</u>	<u>47,783,598</u>
Net assets - June 30, 2004	<u>\$ 27,343,148</u>	<u>\$ 20,648,355</u>	<u>\$ 47,991,503</u>

2. Fund Financial Statements

The Fund Financial Statements (pages 14-26) provide detailed information about the most significant funds - not the City as a whole. The City has three kinds of funds: Governmental, Proprietary, and Fiduciary Funds.

Governmental Funds. Governmental funds financial statements focus on near-term inflows and outflow of spendable resources. Such information is useful in assessing the City's financial requirements. Unreserved fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year. The unreserved funds are the funds that can be spent under management's discretion.

At fiscal year end June 30, 2005, the City's governmental funds reported combined ending fund balance of \$6,082,590.

The general fund is the operating fund of the City. At the fiscal year end, its unreserved fund balance was \$1,176,493. Among the unreserved funds, \$295,029 was designated by management for future projects. A healthy unrestricted fund balance is necessary for a sound and responsible financial management system. The City needs the unreserved funds to meet emergency needs, generate revenues through investments, and to maintain the City's bond rating. The principal use of the unreserved funds is to avoid short term borrowing caused by cash flow shortages.

Proprietary Funds. Proprietary funds provide the same type of information found in the government-wide financial statements, but presents more detail for revenue and expenses. For the proprietary funds, unrestricted net assets at the fiscal year end amounted to \$552,761 for the Water Treatment Utility, \$641,720 for the Wastewater Treatment Utility, and \$385,072 for the Marina.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Menominee's programs.

General Fund Budgetary Highlights

The City amended its budget during the fiscal year as shown in the following chart:

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Budget Revisions</u>	<u>2004-2005 Actual</u>	<u>Under (Over) Budget</u>
General Fund:					
Revenues	\$ 4,388,321	\$ 4,430,321	\$ 42,000	\$ 4,597,326	\$ 167,005
Expenditures	3,802,352	5,257,484	(1,455,132)	5,096,412	161,072
Transfers					
In/Out	(13,435)	(51,959)	(38,524)	(85,649)	(33,690)
Difference	<u>\$ 572,534</u>	<u>\$ (879,122)</u>	<u>\$(1,451,656)</u>	<u>\$ (584,735)</u>	<u>\$ 294,387</u>
Major Streets:					
Revenues	\$ 648,000	\$ 648,000	\$ -	\$ 954,644	\$ 306,644
Expenditures	1,008,000	1,008,000	-	1,237,523	(299,523)
Transfers					
In/Out	467,500	467,500	-	307,456	(160,044)
Difference	<u>\$ 107,500</u>	<u>\$ 107,500</u>	<u>\$ -</u>	<u>\$ 24,577</u>	<u>\$ (82,923)</u>
Local Streets:					
Revenues	\$ 182,000	\$ 182,000	\$ -	\$ 275,560	\$ 93,560
Expenditures	614,500	614,500	-	616,005	(1,505)
Transfers					
In/Out	432,500	432,500	-	365,299	(67,201)
Difference	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,854</u>	<u>\$ 24,854</u>
Menominee Iron Works:					
Revenues	\$ 1,250	\$ 1,250	\$ -	\$ 21,937	\$ 20,147
Expenditures	1,000	1,000	-	3,085	(2,085)
Difference	<u>\$ 250</u>	<u>\$ 250</u>	<u>\$ -</u>	<u>\$ 18,312</u>	<u>\$ 18,062</u>

Budgetary amendments were necessary for the reallocation of fringe benefits from the fixed expenses accounts to the various departments. Legal fees in conjunction with an ongoing lawsuit have and will continue to require additional budget amendments. Capital equipment purchases were required on an emergency basis and necessitated budget amendments.

Capital Assets and Debt Administration

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2005 amounts to \$48,681,431, net of accumulated depreciation. This investment in capital assets includes land, buildings and improvements, machinery and equipment, and infrastructure.

The major capital asset additions include various road construction and resurfacing projects. The capital asset additions for infrastructure in the government activities were financed by a bond issue authorized specifically for street construction, federal grants, and general fund reserves. The capital asset additions to business type activities for infrastructure on the water and sewer system were financed by user fees.

Long-Term Debt. At the end of the 2005 fiscal year the City of Menominee had total bonded debt outstanding of \$9,219,684. Of this amount, \$5,176,003 is backed by the full faith and credit of the government and \$4,043,681 represents bonds secured by specified revenue sources (i.e., revenue bonds).

The City maintains an A-bond rating by Moody's for both its general obligation debt, and for the revenue bonds for the Wastewater Treatment Utility.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10% of its total state equalized value. The current debt limitation for the City of Menominee is \$17,370,090 which is significantly in excess of the City's outstanding general obligation debt of \$5,176,003.

NEXT YEAR'S BUDGETS AND RATES

State shared revenue contributes approximately twenty-five percent of the General Fund revenues for the City of Menominee. For the 2006 fiscal year, the City expects this revenue to remain about the same or a slight decrease from the 2005 revenue.

Over 50% of the City's general fund revenue is from the general property tax levy. The tax rate has remained relatively unchanged the last few years. City management expects the current tax rate to remain relatively stable.

The 2006 general fund budget includes the use of undesignated fund balance of \$107,800.

In the City Business-type Fund, the Water Utility and Wastewater Treatment Utility increased the rates 3% for 2005 fiscal year. The flat charge has been increased and reallocated so that a greater percent is shifted to the Wastewater Treatment Utility. This will finance the increased revenue bond principal and interest payments. City management expects to adjust rates to enhance the Water Treatment Fund revenues.

Request for Information

The financial report is designed to provide a general overview of the City of Menominee's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in the report, or requests for additional financial information should be addressed to Menominee City Clerk/Treasurer, 2511 Tenth Street, Menominee, Michigan 49858.

FINANCIAL STATEMENTS

CITY OF MENOMINEE, MICHIGAN

Statement of Net Assets As of June 30, 2005

	Governmental Fund Types		
	Governmental Activities	Business Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	\$ 724,923	\$ 1,268,708	\$ 1,993,631
Investments	495,190	-	495,190
Receivables (Net)	2,326,993	888,407	3,215,400
Internal Balances	886,865	(875,086)	11,779
Inventories and Prepaid Items	106,076	119,468	225,544
Deferred Charges	88,893	48,116	137,009
Restricted Cash and Investments	2,944,852	1,575,611	4,520,463
Capital Assets, Net of Depreciation	26,237,231	22,444,200	48,681,431
TOTAL ASSETS	<u>33,811,023</u>	<u>25,469,424</u>	<u>59,280,447</u>
LIABILITIES:			
Accounts Payable	763,527	68,209	831,736
Accrued and Other Liabilities	131,400	75,361	206,761
Deferred Revenue	126,310	330,515	456,825
Noncurrent Liabilities:			
Due Within One Year	1,002,338	430,607	1,432,945
Due in More Than One Year	4,407,919	3,613,074	8,020,993
TOTAL LIABILITIES	<u>6,431,494</u>	<u>4,517,766</u>	<u>10,949,260</u>
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	21,061,228	17,501,619	38,562,847
Restricted:			
Debt Service	164,778	476,715	641,493
Plant Replacement	-	1,098,895	1,098,895
Construction	1,805,683	-	1,805,683
Permanent Fund	1,095,773	-	1,095,773
Unrestricted	3,252,067	1,874,429	5,126,496
TOTAL NET ASSETS	<u>\$ 27,379,529</u>	<u>\$ 20,951,658</u>	<u>\$ 48,331,187</u>

See Accompanying Notes

CITY OF MENOMINEE, MICHIGAN

Statement of Activities
For the Year Ended June 30, 2005

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants and Contributions	Grants and Contributions
FUNCTIONS/PROGRAMS:				
Governmental Activities:				
General Government	\$ 878,226	\$ 120,464	\$ 33,300	\$ -
Public Safety	2,686,560	38,115	23,731	-
Public Works	2,450,234	225,107	873,672	206,775
Culture and Recreation	987,266	228,469	91,134	364,037
Other	116,497	-	236,856	-
Interest and Fiscal Charges	197,913	-	-	-
Total Governmental Activities	7,316,696	612,155	1,258,693	570,812
BUSINESS-TYPE ACTIVITIES:				
Water Treatment	910,457	847,344	-	3,589
Wastewater Treatment	1,146,322	1,512,501	-	4,594
Marina	555,670	541,110	-	-
River Park	106,649	93,128	-	-
Industrial Aid	336	3,000	-	-
Total Business-Type Activities	2,719,434	2,997,083	-	8,183
TOTAL ACTIVITIES	\$ 10,036,130	\$ 3,609,238	\$ 1,258,693	\$ 578,995

GENERAL REVENUES:

Property Taxes, Levied for General Purposes
Property Taxes, Levied for Debt Service
Property Taxes, Levied for Streets
State and Federal Aids Not Restricted to Specific Functions
Interest and Investment Earnings
Loss on Sale of Asset
Other

Total General Revenues

CHANGE IN NET ASSETS

NET ASSETS - BEGINNING

NET ASSETS - ENDING

See Accompanying Notes

**Net (Expense) Revenue
And Changes in Net Assets**

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (724,462)	\$ -	\$ (724,462)
(2,624,714)	-	(2,624,714)
(1,144,680)	-	(1,144,680)
(303,626)	-	(303,626)
120,359	-	120,359
(197,913)	-	(197,913)
<u>(4,875,036)</u>	<u>-</u>	<u>(4,875,036)</u>
-	(59,524)	(59,524)
-	370,773	370,773
-	(14,560)	(14,560)
-	(13,521)	(13,521)
-	2,664	2,664
<u>-</u>	<u>285,832</u>	<u>285,832</u>
<u>(4,875,036)</u>	<u>285,832</u>	<u>(4,589,204)</u>
2,895,409	-	2,895,409
95,892	-	95,892
505,219	-	505,219
1,192,088	-	1,192,088
149,730	47,196	196,926
(25,687)	(29,725)	(55,412)
98,766	-	98,766
<u>4,911,417</u>	<u>17,471</u>	<u>4,928,888</u>
36,381	303,303	339,684
<u>27,343,148</u>	<u>20,648,355</u>	<u>47,991,503</u>
<u>\$ 27,379,529</u>	<u>\$ 20,951,658</u>	<u>\$ 48,331,187</u>

See Accompanying Notes

CITY OF MENOMINEE, MICHIGAN

Balance Sheet
Governmental Funds
June 30, 2005

	General Fund	Major Street	Local Street	Menominee Iron Works
ASSETS:				
Cash and Cash Equivalents	\$ 304,287	\$ 7,327	\$ 15,755	\$ 64,699
Investments	122,237	-	-	43,973
Receivables - Net	87,980	66,726	42,882	883,695
Due From Other Funds	1,035,633	277,187	106,343	-
Receivable From Other Governments	200,332	81,687	31,091	-
Inventories and Prepaid Items	104,864	-	-	-
TOTAL ASSETS	\$ 1,855,333	\$ 432,927	\$ 196,071	\$ 992,367
LIABILITIES:				
Accounts Payable	\$ 395,466	\$ 60,639	\$ -	\$ -
Accrued Payroll	62,616	-	-	-
Due to Other Funds	50,508	228,641	97,811	-
Payable to Other Governments	509	-	-	-
Deferred Revenue	59,109	66,725	42,881	-
Total Liabilities	568,208	356,005	140,692	-
FUND BALANCES:				
Reserved	110,632	-	-	-
Unreserved:				
Designated	295,029	-	-	-
Undesignated	881,464	76,922	55,379	992,367
Total Fund Balances	1,287,125	76,922	55,379	992,367
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,855,333	\$ 432,927	\$ 196,071	\$ 992,367

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Deferred revenue reported as a liability on the balance sheet is recognized as revenue on the statement of activities and has been removed from the statement of net assets.

Some liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported in the funds.

NET ASSETS OF GOVERNMENTAL ACTIVITIES

Menominee Paper Debt Service	Spies Field Improvement Project	Street Construction	Cemetery Perpetual Care	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 220,547	\$ -	\$ 112,308	\$ 724,923
-	124,038	1,310,029	1,124,985	715,780	3,441,042
302,325	-	-	-	227,164	1,610,772
-	-	463,021	677	98,121	1,980,982
-	343,073	-	-	59,038	715,221
-	-	-	-	1,212	106,076
<u>\$ 302,325</u>	<u>\$ 467,111</u>	<u>\$ 1,993,597</u>	<u>\$ 1,125,662</u>	<u>\$ 1,213,623</u>	<u>\$ 8,579,016</u>
\$ -	\$ 29,618	\$ 188,861	\$ -	\$ 2,608	\$ 677,192
-	-	-	-	5,462	68,078
-	278,413	158,133	29,889	250,722	1,094,117
-	-	-	-	85,826	86,335
302,325	-	-	-	99,664	570,704
<u>302,325</u>	<u>308,031</u>	<u>346,994</u>	<u>29,889</u>	<u>444,282</u>	<u>2,496,426</u>
-	159,080	1,646,603	1,095,773	209,884	3,221,972
-	-	-	-	-	295,029
-	-	-	-	559,457	2,565,589
-	159,080	1,646,603	1,095,773	769,341	6,082,590
<u>\$ 302,325</u>	<u>\$ 467,111</u>	<u>\$ 1,993,597</u>	<u>\$ 1,125,662</u>	<u>\$ 1,213,623</u>	

26,237,231

444,394

(5,384,686)

\$ 27,379,529

CITY OF MENOMINEE, MICHIGAN
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2005

	<u>General Fund</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Menominee Iron Works</u>
REVENUES:				
Property Taxes	\$ 2,897,644	\$ 156,346	\$ -	\$ -
Federal Grants	33,300	189,980	-	-
State Grants	3,444	582,613	257,368	-
State Shared Revenue	1,225,779	-	-	-
Licenses and Permits	120,118	-	-	-
Fines and Forfeitures	34,090	-	-	-
Interest and Rentals	41,434	-	-	21,397
Charges For Services	2,500	-	-	-
Other Revenues	239,017	25,705	18,192	-
TOTAL REVENUES	<u>4,597,326</u>	<u>954,644</u>	<u>275,560</u>	<u>21,397</u>
EXPENDITURES:				
Current:				
General Government	888,185	-	-	-
Public Safety	2,373,219	-	-	-
Highways, Streets and Bridges	201,683	496,024	235,188	-
Sanitation	370,350	-	-	-
Culture and Recreation	335,274	-	-	3,085
Other	93,322	-	-	-
Capital Outlay	704,951	741,499	380,817	-
Debt Service:				
Principal Retirement	101,134	-	-	-
Interest and Fiscal Charges	28,294	-	-	-
TOTAL EXPENDITURES	<u>5,096,412</u>	<u>1,237,523</u>	<u>616,005</u>	<u>3,085</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(499,086)</u>	<u>(282,879)</u>	<u>(340,445)</u>	<u>18,312</u>
OTHER FINANCING SOURCES (USES):				
Proceeds From Long Term Debt	82,500	-	-	-
Operating Transfers In	189,976	563,278	365,299	-
Operating Transfers (Out)	(358,125)	(255,822)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(85,649)</u>	<u>307,456</u>	<u>365,299</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>(584,735)</u>	<u>24,577</u>	<u>24,854</u>	<u>18,312</u>
FUND BALANCES - BEGINNING	<u>1,871,860</u>	<u>52,345</u>	<u>30,525</u>	<u>974,055</u>
FUND BALANCES - ENDING	<u>\$ 1,287,125</u>	<u>\$ 76,922</u>	<u>\$ 55,379</u>	<u>\$ 992,367</u>

<u>Menominee Paper Debt</u>	<u>Spies Field Improvement Project</u>	<u>Street Construction</u>	<u>Cemetery Perpetual Care</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ 423,755	\$ 3,477,745
-	73,215	-	-	25,000	321,495
-	269,858	-	-	161,421	1,274,704
-	-	-	-	8,984	1,234,763
-	-	-	-	-	120,118
-	-	-	-	57,996	92,086
-	2,382	42,682	36,279	14,014	158,188
-	-	-	2,987	85,040	90,527
304,225	20,964	-	-	214,717	822,820
<u>304,225</u>	<u>366,419</u>	<u>42,682</u>	<u>39,266</u>	<u>990,927</u>	<u>7,592,446</u>
-	-	-	-	-	888,185
-	-	-	-	227,574	2,600,793
-	-	-	-	-	932,895
-	-	-	-	-	370,350
-	-	-	-	529,382	864,656
-	37	369	6,858	308,373	412,044
-	338,405	-	-	69,620	2,235,292
280,000	-	-	-	390,000	771,134
24,225	-	-	-	184,176	236,695
<u>304,225</u>	<u>338,442</u>	<u>369</u>	<u>6,858</u>	<u>1,709,125</u>	<u>9,312,044</u>
-	27,977	42,313	32,408	(718,198)	(1,719,598)
-	-	-	-	-	82,500
-	-	-	-	557,816	1,676,369
-	-	(795,410)	(47,036)	(219,976)	(1,676,369)
-	-	(795,410)	(47,036)	337,840	82,500
-	27,977	(753,097)	(14,628)	(380,358)	(1,637,098)
-	131,103	2,399,700	1,110,401	1,149,699	7,719,688
<u>\$ -</u>	<u>\$ 159,080</u>	<u>\$ 1,646,603</u>	<u>\$ 1,095,773</u>	<u>\$ 769,341</u>	<u>\$ 6,082,590</u>

CITY OF MENOMINEE, MICHIGAN
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds To the Statement of Activities
For the Year Ended June 30, 2005

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENT FUNDS \$ (1,637,098)

Amounts reported for governmental activities in the statement of net assets
are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the funds. 1,271,802

Special assessments and leases receivable are expected to be collected over several
years and are not available to pay for current year expenditures. (313,341)

Some liabilities, including bonds and notes payable, are not due and payable
in the current period and therefore are not reported in the funds. 715,018

CHANGE IN NET ASSETS - GOVERNMENTAL ACTIVITIES \$ 36,381

See Accompanying Notes

CITY OF MENOMINEE, MICHIGAN

Statement of Net Assets

Proprietary Funds

June 30, 2005

	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Marina</u>
Current Assets:			
Cash and Cash Equivalents	\$ 185,873	\$ 186,434	\$ 622,249
Receivables - Net	324,184	564,223	-
Due From Other Funds	112	38,373	-
Inventories	68,439	-	-
Prepaid Items	21,512	29,517	-
Total Current Assets	<u>600,120</u>	<u>818,547</u>	<u>622,249</u>
Non-Current Assets:			
Restricted Cash and Investments	148,183	1,427,428	-
Unamortized Debt Discount and Expenses	-	18,075	30,041
Capital Assets, Net of Depreciation	8,948,394	10,626,523	1,787,317
Total Noncurrent Assets	<u>9,096,577</u>	<u>12,072,026</u>	<u>1,817,358</u>
Total Assets	<u>9,696,697</u>	<u>12,890,573</u>	<u>2,439,607</u>
CURRENT LIABILITIES:			
Accounts Payable	513	64,568	-
Accrued Expense	16,218	46,521	11,725
Due to Other Funds	172,020	765,250	1,050
Deferred Revenue	16,835	59,236	254,444
Current Portion of Noncurrent Liabilities	17,156	358,451	55,000
Total Current Liabilities	<u>222,742</u>	<u>1,294,026</u>	<u>322,219</u>
NON-CURRENT LIABILITIES:			
Bonds, Notes and Loans Payable	97,856	2,570,218	945,000
Total Liabilities	<u>320,598</u>	<u>3,864,244</u>	<u>1,267,219</u>
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	8,675,155	6,957,182	787,316
Restricted For Debt Service	-	476,715	-
Restricted For Capital Projects	148,183	950,712	-
Unrestricted	552,761	641,720	385,072
TOTAL NET ASSETS	<u>\$ 9,376,099</u>	<u>\$ 9,026,329</u>	<u>\$ 1,172,388</u>

See Accompanying Notes

Other Enterprise Funds	Total Proprietary Funds
\$ 274,152	\$ 1,268,708
-	888,407
33,845	72,330
-	68,439
-	51,029
<u>307,997</u>	<u>2,348,913</u>
-	1,575,611
-	48,116
1,081,966	22,444,200
<u>1,081,966</u>	<u>24,067,927</u>
<u>1,389,963</u>	<u>26,416,840</u>
3,128	68,209
897	75,361
9,096	947,416
-	330,515
-	430,607
<u>13,121</u>	<u>1,852,108</u>
-	3,613,074
<u>13,121</u>	<u>5,465,182</u>
1,081,966	17,501,619
-	476,715
-	1,098,895
294,876	1,874,429
<u>\$ 1,376,842</u>	<u>\$ 20,951,658</u>

CITY OF MENOMINEE, MICHIGAN
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2005

	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Marina</u>
OPERATING REVENUES:			
Charges For Services	\$ 772,577	\$ 1,500,816	\$ 541,110
Hydrant Rental	53,244	-	-
Other Revenues	21,523	11,685	-
Total Operating Revenues	<u>847,344</u>	<u>1,512,501</u>	<u>541,110</u>
OPERATING EXPENSES:			
Personal Services	185,133	136,731	-
Contractual Services	252,145	353,701	371,593
Utilities	65,788	132,018	-
Repairs and Maintenance	46,056	46,315	-
Other Supplies and Expenses	25,813	34,822	538
Depreciation	330,351	311,720	133,586
Total Operating Expenses	<u>905,286</u>	<u>1,015,307</u>	<u>505,717</u>
OPERATING INCOME (LOSS)	<u>(57,942)</u>	<u>497,194</u>	<u>35,393</u>
NON-OPERATING REVENUE (EXPENSES):			
Interest and Investment Revenue	6,014	31,285	5,738
Interest Expense	(5,171)	(131,015)	(49,953)
Loss on Sale of Asset	-	-	-
Total Non-operating Revenue (Expenses)	<u>843</u>	<u>(99,730)</u>	<u>(44,215)</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS	<u>(57,099)</u>	<u>397,464</u>	<u>(8,822)</u>
CAPITAL CONTRIBUTIONS	<u>3,589</u>	<u>4,594</u>	<u>-</u>
CHANGE IN NET ASSETS	<u>(53,510)</u>	<u>402,058</u>	<u>(8,822)</u>
NET ASSETS - BEGINNING	<u>9,429,609</u>	<u>8,624,271</u>	<u>1,181,210</u>
NET ASSETS - ENDING	<u>\$ 9,376,099</u>	<u>\$ 9,026,329</u>	<u>\$ 1,172,388</u>

See Accompanying Notes

<u>Other Enterprise Funds</u>	<u>Total Proprietary Funds</u>
\$ -	\$ 2,814,503
-	53,244
96,128	129,336
<u>96,128</u>	<u>2,997,083</u>
35,688	357,552
-	977,439
22,334	220,140
3,545	95,916
11,204	72,377
34,214	809,871
<u>106,985</u>	<u>2,533,295</u>
<u>(10,857)</u>	<u>463,788</u>
4,159	47,196
-	(186,139)
<u>(29,725)</u>	<u>(29,725)</u>
<u>(25,566)</u>	<u>(168,668)</u>
(36,423)	295,120
-	8,183
<u>(36,423)</u>	<u>303,303</u>
<u>1,413,265</u>	<u>20,648,355</u>
<u>\$ 1,376,842</u>	<u>\$ 20,951,658</u>

See Accompanying Notes

CITY OF MENOMINEE, MICHIGAN

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2005

	<u>Water Utility</u>	<u>Wastewater Utility</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts From Customers	\$ 843,545	\$ 1,368,122
Payments to Suppliers	(158,691)	(160,407)
Payments to Contractors	(252,145)	(353,701)
Payment to Employees	(185,491)	(141,879)
Internal Activity - Receipts From Other Funds	112,139	112,591
Net Cash From Operating Activities	<u>359,357</u>	<u>824,726</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital Contributions	3,589	4,594
Purchases of Capital Assets	(340,045)	(516,801)
Sales of Capital Assets	-	-
Principal and Interest Paid on Capital Debt	(21,673)	(481,112)
Other Receipts (Payments)	-	4,175
Net Cash From Capital and Related Financing Activities	<u>(358,129)</u>	<u>(989,144)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Income	6,014	31,285
Net Cash From Investing Activities	<u>6,014</u>	<u>31,285</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	7,242	(133,133)
CASH AND CASH EQUIVALENTS - BEGINNING	<u>326,814</u>	<u>1,746,995</u>
CASH AND CASH EQUIVALENTS - ENDING	<u><u>\$ 334,056</u></u>	<u><u>\$ 1,613,862</u></u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating Income (Loss)	\$ (57,942)	\$ 497,194
Adjustments to Reconcile Operating Income (Loss) to Net Cash From Operating Activities:		
Depreciation	330,351	311,720
Changes in Non-Cash Components of Working Capital:		
Accounts Receivable	(15,143)	(139,786)
Due From Other Funds	6,409	(38,373)
Inventories	(3,115)	-
Prepaid Items	(500)	(500)
Accounts Payable	(17,420)	53,249
Accrued Expenses	(358)	(5,148)
Due to Other Funds	105,730	150,964
Deferred Revenues	11,345	(4,594)
NET CASH FROM OPERATING ACTIVITIES	<u><u>\$ 359,357</u></u>	<u><u>\$ 824,726</u></u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS:		
Unrestricted Cash and Investments	\$ 185,873	\$ 186,434
Restricted Cash and Investments	148,183	1,427,428
TOTAL CASH AND CASH EQUIVALENTS	<u><u>\$ 334,056</u></u>	<u><u>\$ 1,613,862</u></u>

See Accompanying Notes

<u>Marina</u>	<u>Other Enterprise Funds</u>	<u>Total Proprietary Funds</u>
\$ 565,617	\$ 96,128	\$ 2,873,412
(538)	(34,053)	(353,689)
(371,593)	-	(977,439)
(550)	(35,804)	(363,724)
500	(5,095)	220,135
<u>193,436</u>	<u>21,176</u>	<u>1,398,695</u>
-	-	8,183
(5,961)	(6,491)	(869,298)
-	10,560	10,560
(99,953)	-	(602,738)
2,503	(902)	5,776
<u>(103,411)</u>	<u>3,167</u>	<u>(1,447,517)</u>
5,738	4,159	47,196
<u>5,738</u>	<u>4,159</u>	<u>47,196</u>
95,763	28,502	(1,626)
526,486	245,650	2,845,945
<u>\$ 622,249</u>	<u>\$ 274,152</u>	<u>\$ 2,844,319</u>
\$ 35,393	\$ (10,857)	\$ 463,788
133,586	34,214	809,871
-	-	(154,929)
-	(1,762)	(33,726)
-	-	(3,115)
-	-	(1,000)
-	3,030	38,859
(550)	(116)	(6,172)
500	(3,333)	253,861
24,507	-	31,258
<u>\$ 193,436</u>	<u>\$ 21,176</u>	<u>\$ 1,398,695</u>
\$ 622,249	\$ 274,152	\$ 1,268,708
-	-	1,575,611
<u>\$ 622,249</u>	<u>\$ 274,152</u>	<u>\$ 2,844,319</u>

See Accompanying Notes

CITY OF MENOMINEE, MICHIGAN

Statement of Net Assets

Fiduciary Funds

June 30, 2005

	<u>Employee Trust Funds</u>	<u>Agency Funds</u>
ASSETS:		
Cash and Cash Equivalents	\$ 115,745	\$ 10,517
Investments at Fair Value:		
Corporate Stocks	3,445,940	-
Other Investments	5,576,318	-
Total Investments	9,022,258	-
Taxes Receivable	-	29,887
Total Assets	<u>\$ 9,138,003</u>	<u>\$ 40,404</u>
LIABILITIES:		
Due to Other Funds	\$ 2,118	\$ 9,660
Due to Other Governments	-	30,744
Total Liabilities	<u>2,118</u>	<u>40,404</u>
NET ASSETS:		
Held in Trust For Employees' Retirement System	9,136,376	-
Reserved For Employees' Benefits	(491)	-
Total Net Assets	<u>9,135,885</u>	<u>-</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 9,138,003</u>	<u>\$ 40,404</u>

See Accompanying Notes

CITY OF MENOMINEE, MICHIGAN

Statement of Changes in Net Assets

Fiduciary Funds

June 30, 2005

	<u>Employee Trust Funds</u>
ADDITIONS:	
Contributions:	
Employees	\$ 83,615
Employer	89,230
Investment Revenues	583,624
Other	597
Total Additions	<u>757,066</u>
DEDUCTIONS:	
Annuities	431,803
Benefits	8,575
Refunds	2,732
Total Deductions	<u>443,110</u>
CHANGE IN NET ASSETS	313,956
NET ASSETS - BEGINNING	<u>8,821,929</u>
NET ASSETS - ENDING	<u>\$ 9,135,885</u>

See Accompanying Notes

CITY OF MENOMINEE, MICHIGAN

Notes to Financial Statements

June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

INTRODUCTION

The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety, public works, development services, public health and welfare, culture, recreation, water and wastewater.

The City complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

REPORTING ENTITY

This report includes all of the funds of the City of Menominee. The reporting entity for the City consists of (a) the primary government, (b) organizations for which the primary government is financially accountable and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government.

The City of Menominee Water and Wastewater Utility provides water and sanitary sewer services to properties within the City of Menominee and is managed by the Water and Wastewater Utility Board.

Excluded from the reporting entity:

Menominee Housing Commission

The Menominee Housing Commission is a separate legal entity established to administer a low and moderate income housing program funded by federal grants and rental income. The City Council and mayor appoint the board members of the Menominee Housing Commission. The City is not financially accountable for the Housing Commission, as defined in GASB Statement No. 14, and has no ability to access the Housing Commission's financial resources, as defined in GASB Statement No. 39. The City does not provide funding for the Housing Commission, does not hold title to any of the Housing Commission's assets, has no right to the Housing Commission's surpluses, and has no legal obligation to fund programs of the Housing Commission, should federal funding no longer be available. Under the guidelines of GASB Statements No. 14 and 39, the Menominee Housing commission is not a component unit of the City, but is related through the responsibility of the City to appoint its board members.

CITY OF MENOMINEE, MICHIGAN

Notes to Financial Statements

June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

BASIS OF FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

The statement of net assets and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The City does not allocate indirect expenses to functions in the statement of activities. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Taxes and other items not properly included as program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and wastewater utilities and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and wastewater utility enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into individual funds, each of which are considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses.

CITY OF MENOMINEE, MICHIGAN

Notes to Financial Statements

June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

BASIS OF FINANCIAL STATEMENT PRESENTATION (Continued)

Fund Financial Statements (Continued)

Funds are organized as major funds or non-major funds within the governmental and proprietary statements. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type and
- b. The same element that met the 10 percent criterion in (a) is at least 5 percent of the corresponding element total for all governmental and enterprise funds combined.
- c. In addition, any other governmental or proprietary fund that the City believes is particularly important to financial statement users may be reported as a major fund.

Governmental Funds

Governmental funds are identified as either general, special revenue, debt service, capital projects, or permanent funds based upon the following guidelines.

General Fund

The general fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds

Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term principal, interest, and related costs.

Capital Projects Funds

Capital projects are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Permanent Funds

Permanent funds are used to account for resources legally held in a trust. All resources of the fund, including any earnings on invested resources, may be used to support the organization.

CITY OF MENOMINEE, MICHIGAN
Notes to Financial Statements
June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

BASIS OF FINANCIAL STATEMENT PRESENTATION (Continued)

Business Type Activities

Proprietary Funds

Enterprise Funds

Enterprise funds may be used to account for activities where a fee is charged to external users for goods and services. Enterprise activities must include operations (a) that are financed with debt that is secured solely by the pledge of the net revenues of the fund, or (b) where laws or regulations require that the costs of the activity be recovered with fees and charges, or (c) where the fees and charges are priced in a way designed to recover the costs of the activity.

Fiduciary Funds (Not included in government-wide statements)

Pension and Agency Funds

Pension and agency funds are used to account for assets held by the City as an agent for individuals, private organizations, and/or other governmental units.

Major Funds

The City reports the following major governmental funds:

The *General Fund*, which accounts for the City's primary operating activities.

The *Major Street fund*, which accounts for revenues and expenditures in connection with the street system designated as major streets by the State of Michigan. This fund is required under state law.

The *Local Street fund*, which accounts for revenues and expenditures in connection with the street system designated as local streets by the State of Michigan. This fund is required under state law.

The *Menominee Iron Works fund*, which accounts for the City's Economic Development Loan Program.

The *Menominee Paper Debt Service*, which accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt for the wastewater treatment facility for the Menominee Paper company.

The *Spies Field Improvement Project*, which accounts for the reconstruction of Spies Field.

The *Street Construction fund*, which accounts for the reconstruction of streets.

The *Cemetery Perpetual Care fund*, which accounts for investments for perpetual care.

The *Water Utility*, which accounts for the City's provision of water service to City residents, business entities and public authorities.

The *Wastewater Treatment Utility*, which accounts for the City's provision of wastewater treatment service to City residents, business entities and public authorities.

The *Marina fund*, which accounts for the operation of the City's marina.

CITY OF MENOMINEE, MICHIGAN
Notes to Financial Statements
June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

BASIS OF FINANCIAL STATEMENT PRESENTATION (Continued)

Non-Major Funds

The City reports the following non-major funds:

Special Revenue Funds –

- Cemetery Operations
- Waterfront Festival
- Public Improvement
- Downtown Development Authority
- Drug Enforcement
- Spies Public Library
- Neighborhood Preservation Project
- Economic Development – Great Lakes Pulp & Fiber
- Economic Development – Mill Works
- Community Development - MSHDA

Debt Service Funds –

- Street Construction
- Spies Library

Proprietary Funds –

- River Park
- Industrial Aid

Fiduciary Funds

Employee Trust Funds –

- Police and Fire Retirement
- Employee Flexible Benefits

Agency Fund –

- Tax Collection

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus refers to what is being measured. Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the statement of activities presents increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related

CITY OF MENOMINEE, MICHIGAN

Notes to Financial Statements

June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)

cash transaction takes place. Nonexchange transactions, in which the City gives or receives value without directly, receiving or giving equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

Under the terms of grant agreements, the City may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Therefore, when program expenses are incurred, both restricted and unrestricted net assets may be available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, cash deposits and highly liquid investments with a maturity of three months or less are considered to be cash equivalents.

RESTRICTED CASH AND INVESTMENTS

Cash and investments have been set aside in governmental funds and proprietary funds for various purposes, see Note 9.

ACCOUNTS RECEIVABLE

Accounts receivable in the governmental funds are recorded at gross amounts with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided in the government funds since it is believed that the amount of such allowance would not be material. An allowance is reported in the proprietary funds.

ECONOMIC DEVELOPMENT LOANS RECEIVABLE

The City has received federal grant funds for economic development loan programs to various businesses. The City records a loan receivable when the loan has been made and the funds have been disbursed.

CITY OF MENOMINEE, MICHIGAN

Notes to Financial Statements

June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

INVENTORIES

Inventories of governmental fund types and proprietary fund types are recorded at cost, which approximates market, using the first-in first-out method of valuation. The cost is recorded as an expenditure at the time individual inventory items are consumed.

PREPAID ITEMS

Prepaid balances are for payments made by the City in the current year to provide services occurring in the subsequent fiscal year, and the reserve for prepaid items has been recorded to signify that a portion of fund balance is not available for other subsequent expenditures.

CAPITAL ASSETS

The accounting treatment over property, plant and equipment (capital assets) depends on whether the assets are reported in the government-wide or fund financial statements and used in governmental fund operations.

Government-Wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual cost is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. The City has a capitalization threshold of \$5,000.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

	Governmental Activities	Business-Type Activities
Buildings	40 Years	50 Years
Improvements Other Than Buildings	20 Years	15-50 Years
Equipment	15 Years	3-10 Years
Infrastructure	50 Years	-

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

CITY OF MENOMINEE, MICHIGAN

Notes to Financial Statements

June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

CAPITAL ASSETS (Continued)

Fund Financial Statements (Continued)

Additions to and replacement of utility plants are recorded at original cost, which includes material, labor, overhead, and an allowance for the cost of funds used during construction when significant. For tax-exempt debt, the amount of interest capitalized equals the interest expense incurred during construction netted against any interest revenue from temporary investment of borrowed fund proceeds. During the current year \$93,237 of interest was capitalized. The cost of renewals and betterments relating to retirement units is added to plant accounts. The cost of property replaced, retired or otherwise disposed of, is deducted from plant accounts.

DEFERRED REVENUE

The City reports deferred revenue on its balance sheet. Deferred revenue arises when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenue also arises when resources are received before the City has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

LONG-TERM OBLIGATIONS

The accounting treatment of long-term debt depends on whether it is reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as a liability in the government-wide statements. The long-term debt consists primarily of notes and bonds payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payments of principal and interest are reported as expenditures. In governmental funds, debt issuance costs are reported as expenditures. The accounting in proprietary funds is the same in the fund statements as it is in the government-wide statements.

COMPENSATED ABSENCES

Governmental Funds

Under terms of employment, employees are granted sick leave and vacations in varying amounts. Only benefits considered to be vested are disclosed in these statements. The amount of accumulated sick leave and vacation is \$234,253.

A liability for these amounts is reported in governmental funds only if they are due and payable, for example, as a result of employee resignations and retirement.

CITY OF MENOMINEE, MICHIGAN

Notes to Financial Statements

June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

COMPENSATED ABSENCES (Continued)

Proprietary Funds

Sick Leave and Vacations

Utility employees are allowed to accumulate unused sick leave and vacation. The balance of accumulated sick leave and vacation at June 30, 2005 was \$21,369.

Government-Wide Statements

Compensated absences are accrued when incurred in the government-wide and proprietary fund financial statements.

All Funds

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at June 30, 2005 are determined on the basis of current salary rates and include salary related payments.

CLAIMS AND JUDGMENTS

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental fund types. If they are not to be liquidated with expendable available financial resources, no liability is recognized in the governmental fund statements. The related expenditure is recognized when the liability is liquidated. Claims and judgments are recorded in the government-wide and proprietary funds statements as expenses when the related liabilities are incurred. There were no significant claims or judgments at year end.

ENCUMBRANCES

Encumbrances outstanding represent the estimated amount of expenditures ultimately to result if unperformed contracts and open purchase orders at year end are fulfilled. Encumbrances outstanding at year end are reported as reservations of fund balance and do not represent liabilities or expenditures. Encumbrance accounting applies only to governmental fund types. There were no encumbrances outstanding as of June 30, 2005.

CITY OF MENOMINEE, MICHIGAN

Notes to Financial Statements

June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

EQUITY CLASSIFICATIONS

Equity is classified as net assets and displayed in three components.

- Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net assets – Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results may differ from these estimates.

NOTE 2 – DEPOSITS AND INVESTMENTS:

Cash and investments as of June 30, 2005 are classified in the accompanying financial statements as follows:

Statement of Net Assets:	
Cash	\$ 1,993,631
Investments	495,190
Restricted Cash and Investments	4,520,463
Fiduciary Funds:	
Cash	126,262
Investments	9,022,258
Total Cash and Investments	<u>\$ 16,157,804</u>

CITY OF MENOMINEE, MICHIGAN

Notes to Financial Statements

June 30, 2005

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued):

Michigan Compiled Laws, Section 129.91, authorizes the City of Menominee to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The City is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The City Council has adopted a formal investment policy in accordance with Public Act 196 of 1997. The policy allows all deposits and investments authorized by the above statute, with the following additional restrictions:

- Commercial paper must be rated at the time of purchase within the highest classification established by not less than two standard rating services.
- Mutual Funds must be registered under the Investment Company Act of 1940 and maintain a \$1.00 per share net asset value.

In addition, the policy allows investment in stock, but only for Fund 732, the Police and Fire Retirement Fund, as set forth in Michigan Act 314, PA 1965, and MSA Section 3.98 (114). Donated stock may be held in any fund, in accordance with the wishes of the donor.

The following disclosures are made in accordance with Governmental Accounting Standards Board Statement No. 40, with regard to the City's Deposits and Investments:

CUSTODIAL CREDIT RISK

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Custodial risk for *investments* is the risk that, in the event of the failure of a counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The State statutes and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial risks for deposits or investments.

The City maintains its cash account at several financial institutions. The balances, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) insured limit of \$100,000 per financial institution. Management acknowledges the possibility of risk in this arrangement. However, the size and longevity of the depository institution minimizes such risk.

The following is a summary of cash deposits as of June 30, 2005:

Fully Insured Deposits	\$	311,710
Collateralized with Securities Held by the Pledging Financial Institution's Trust Department or Agent, but not in the City's Name		545,395
Uncollateralized		685,223
Total	\$	<u>1,542,328</u>

CITY OF MENOMINEE, MICHIGAN

Notes to Financial Statements

June 30, 2005

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued):

CUSTODIAL CREDIT RISK (Continued)

Investments in the following investment types were held by the same counterparty that was used by the City to buy the securities:

Investment Type:	
Federal Agency Securities	\$ 625,298
Mutual Funds	5,494,341
Certificates of Deposit	9,845
Money Markets	4,716,427
	<u>\$ 10,845,911</u>

INTEREST RATE RISK

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

	Total	12 Months Or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
Investment Type:					
U.S. Treasury Notes	\$ 285,081	\$ -	\$ -	\$ 29,782	\$ 255,300
U.S. Treasury Bonds	61,000	-	-	-	61,000
Federal Agency Securities	625,298	50,469	255,313	319,515	-
GNMA	10,603	-	-	4,349	6,254
Money Market Funds	4,716,427	4,716,427	-	-	-
Investment Contracts	70,746	10,746	-	60,000	-
	<u>\$ 5,769,155</u>	<u>\$ 4,777,642</u>	<u>\$ 255,313</u>	<u>\$ 413,646</u>	<u>\$ 322,554</u>

INVESTMENTS WITH FAIR VALUES HIGHLY SENSITIVE TO INTEREST RATE FLUCTUATIONS

Certain investments are highly sensitive to interest rate fluctuations, to a greater degree than already indicated in the information provided above.

The City's investments in Federal Agency Securities (Federal Home Loan Bank and Federal National Mortgage Association) are backed by mortgages, which are subject to early payment in periods of declining interest rates. The resultant reduction in expected total cash flows affects the fair value of these securities and makes the fair values of these securities highly sensitive to changes in interest rates.

CITY OF MENOMINEE, MICHIGAN

Notes to Financial Statements

June 30, 2005

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued):

CREDIT RISK

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the City's investment policy and the actual rating as of year end for each investment type.

	Total	Minimum Legal Rating	Exempt From Disclosure	Rating as of Year End AAA	Not Rated
Investment Type:					
U.S. Treasury Notes	\$ 285,081	N/A	\$ 285,081	\$ -	\$ -
U.S. Treasury Bonds	61,000	N/A	61,000	-	-
GNMA	10,603	N/A	10,603	-	-
Federal Agency Securities	625,298	AAA	-	625,298	-
Money Market Funds	4,716,427	AAA	-	4,716,427	-
Mutual Funds	5,494,341	AAA	-	-	5,494,341
Investment Contracts	70,746	N/A	-	-	70,746
Common Stock	3,479,744	N/A	-	-	3,479,744
	<u>\$ 14,743,240</u>		<u>\$ 356,684</u>	<u>\$ 5,341,725</u>	<u>\$ 9,044,831</u>

CONCENTRATION OF CREDIT RISK

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer. There are no investments in any one issuer (other than U.S. Treasury securities, mutual funds and money market funds) that represent 5% or more of the City's total investments.

Investments in any one issuer that represent 5% or more of total investments by reporting unit are as follows:

Issuer	Investment Type	Reported Amount
Cemetery Perpetual Care Fund:		
Federal Home Loan Bank	Federal Agency Securities	\$ 231,188
FNMA	Federal Agency Securities	394,110

NOTE 3 – PROPERTY TAXES:

The City of Menominee property tax is levied on each July 1st on the taxable valuation of property (as defined by State statutes) located in the City of Menominee as of the preceding December 31.

Property taxes are recorded in the year levied as receivables and recognized as revenue. Real property taxes not collected by February 28 are turned over to the county for collection. The county pays the City for these delinquent taxes within 60 days. Delinquent personal property taxes are recorded as deferred revenue until collected or written off. In addition to property taxes for the City, taxes are collected and remitted to state and county governments as well as local school districts.

CITY OF MENOMINEE, MICHIGAN

Notes to Financial Statements

June 30, 2005

NOTE 3 – PROPERTY TAXES (Continued):

The 2004 taxable valuation of the City of Menominee totaled \$146.6 million, on which ad valorem taxes levied consisted of 18.2 mills for the City of Menominee operating purposes, .9952 mills for City street and road repair, 2.66 mills for debt service, raising \$3.93 million for operating, \$210,000 for streets, and \$570,000 for debt service. These amounts are recognized in the respective General, Major Street and Debt Service Funds (Spies Library Debt Service, Downtown Development and Street Construction Debt Service) financial statements as taxes receivable-current and as tax revenue.

NOTE 4 – RECEIVABLES:

Receivables as of year-end for the government's individual major and nonmajor funds, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Menominee Iron Works</u>
Taxes	\$ 19,767	\$ -	\$ -	\$ -
Accounts	28,872	-	-	883,695
Special Assessments	39,341	66,726	42,882	-
Intergovernmental	200,332	81,687	31,091	-
Interest and Other	-	-	-	-
Less: Allowance for Doubtful Accounts	-	-	-	-
Net Receivables	<u>\$ 288,312</u>	<u>\$ 148,413</u>	<u>\$ 73,973</u>	<u>\$ 883,695</u>
	<u>Menominee Paper Debt</u>	<u>Spies Field Project</u>	<u>Water Utility</u>	<u>Wastewater Utility</u>
Taxes	\$ -	\$ -	\$ -	\$ -
Accounts	302,325	-	259,154	466,093
Special Assessments	-	-	70,655	102,297
Intergovernmental	-	343,073	-	-
Interest and Other	-	-	-	-
Less: Allowance for Doubtful Accounts	-	-	(5,625)	(4,167)
Net Receivables	<u>\$ 302,325</u>	<u>\$ 343,073</u>	<u>\$ 324,184</u>	<u>\$ 564,223</u>
	<u>Aggregate Nonmajor Funds</u>	<u>Aggregate Fiduciary Funds</u>	<u>Total</u>	
Taxes	\$ -	\$ 29,887	\$ 49,654	
Accounts	-	-	1,940,139	
Special Assessments	227,164	-	549,065	
Intergovernmental	59,038	-	715,221	
Interest and Other	-	-	-	
Less: Allowance for Doubtful Accounts	-	-	(9,792)	
Net Receivables	<u>\$ 286,202</u>	<u>\$ 29,887</u>	<u>\$ 3,244,287</u>	

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

CITY OF MENOMINEE, MICHIGAN

Notes to Financial Statements

June 30, 2005

NOTE 4 – RECEIVABLES (Continued):

	Unavailable	Unearned
Special Assessment	\$ 168,715	\$ 148,948
Menominee Paper	302,325	-
MSHDA	86,339	-
Other	13,325	-
Total	<u>\$ 570,704</u>	<u>\$ 148,948</u>

Economic Development and Housing Rehabilitation Loan Receivable - The City has received grant funds for economic development and housing rehabilitation loan programs to various businesses and individuals. The City records a loan receivable when the loan has been made and funds have been disbursed.

NOTE 5 – CAPITAL ASSETS:

Capital asset activity of the primary government for the current year was as follows:

	Balance 7/1/04	Increases	Decreases	Balance 6/30/05
Governmental Activities:				
Capital Assets not being Depreciated:				
Land	\$ 1,967,995	\$ 30,028	\$ -	\$ 1,998,023
Total Capital Assets not being Depreciated	<u>1,967,995</u>	<u>30,028</u>	<u>-</u>	<u>1,998,023</u>
Other Capital Assets:				
Buildings	3,598,037	257,440	-	3,855,477
Improvements Other Than Buildings	673,688	338,405	-	1,012,093
Infrastructure	24,454,062	1,242,356	-	25,696,418
Vehicles	2,537,962	262,974	66,815	2,734,121
Equipment	1,147,687	73,001	7,338	1,213,350
Computers and Equipment	50,720	31,088	-	81,808
Total Capital Assets being Depreciated	<u>32,462,156</u>	<u>2,205,264</u>	<u>74,153</u>	<u>34,593,267</u>
Total Capital Assets	<u>34,430,151</u>	<u>2,235,292</u>	<u>74,153</u>	<u>36,591,290</u>
Less: Accumulated Depreciation for:				
Buildings	1,848,752	85,569	-	1,934,321
Improvements Other Than Buildings	361,308	45,862	-	407,170
Infrastructure	4,872,594	531,436	-	5,404,030
Vehicles	1,545,985	202,189	41,128	1,707,046
Equipment	791,142	59,204	7,338	843,008
Computers and Equipment	44,941	13,543	-	58,484
Total Accumulated Depreciation	<u>9,464,722</u>	<u>937,803</u>	<u>48,466</u>	<u>10,354,059</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u><u>\$ 24,965,429</u></u>	<u><u>\$ 1,297,489</u></u>	<u><u>\$ 25,687</u></u>	<u><u>\$ 26,237,231</u></u>

CITY OF MENOMINEE, MICHIGAN

Notes to Financial Statements

June 30, 2005

NOTE 5 – CAPITAL ASSETS (Continued):

	Balance 7/1/04	Increases	Decreases	Balance 6/30/05
Business-Type Activities:				
Capital Assets not being Depreciated:				
Land	\$ 429,596	\$ -	\$ 39,382	\$ 390,214
Construction in Progress	8,488	-	-	8,488
Total Capital Assets not being Depreciated	438,084	-	39,382	398,702
Capital Assets being Depreciated:				
Buildings	16,978,330	402,575	-	17,380,905
Improvements Other Than Buildings	15,708,501	384,292	-	16,092,793
Equipment	845,367	82,430	-	927,797
Total Capital Assets being Depreciated	33,532,198	869,297	-	34,401,495
Total Capital Assets	33,970,282	869,297	39,382	34,800,197
Less: Accumulated Depreciation for:				
Buildings	7,862,329	387,771	-	8,250,100
Improvements Other Than Buildings	3,124,177	384,604	-	3,508,781
Equipment	559,620	37,496	-	597,117
Total Accumulated Depreciation	11,546,126	809,871	-	12,355,996
Business-Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 22,424,156</u>	<u>\$ 59,426</u>	<u>\$ 39,382</u>	<u>\$ 22,444,200</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities:	
General Government	\$ 47,112
Public Safety	109,905
Public Works	665,170
Culture and Recreation	115,616
Total Governmental Activities Depreciation Expense	<u>\$ 937,803</u>
Business-Type Activities:	
Water Treatment	\$ 330,351
Wastewater Treatment	311,720
Marina	133,586
River Park	34,214
Total Business-Type Activities Depreciation Expense	<u>\$ 809,871</u>

CITY OF MENOMINEE, MICHIGAN

Notes to Financial Statements

June 30, 2005

NOTE 6 – INTERFUND RECEIVABLES AND PAYABLES:

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Due To/From Other Funds:		
General Fund	Major Street	\$ 62,356
	Local Street	97,812
	Cemetery Operations	52,860
	Waterfront Festival	387
	Spies Public Library	115,046
	Economic Development – GLP&F	500
	Community Development – MSHDA	14,079
	Street Construction Debt Reduction	66,861
	Spies Library Debt Reduction	311
	Spies Field Construction	278,413
	River Park	9,096
	Wastewater	256,113
	Water	68,971
	Marina	1,050
	Tax Collection	9,660
	Employee Flexible Benefit	2,118
Major Street	Wastewater	124,562
	Street Construction	152,625
Local Street	Major Street	99,476
	Wastewater	416
	Water	943
	Street Construction	5,508
Cemetery Perpetual Care	Cemetery Operations	677
Street Construction	Wastewater	384,160
	Water	63,733
	General Fund	15,128
Cemetery Operations	Cemetery Perpetual Care	29,889
Downtown Development Authority	General Fund	1,535
Street Construction Debt Reduction	Major Street	66,697
Water	Major Street	112
Wastewater	Water	38,373
Industrial Aid	General Fund	33,845
		<u>\$ 2,053,312</u>

CITY OF MENOMINEE, MICHIGAN

Notes to Financial Statements

June 30, 2005

NOTE 7 - INTERFUND TRANSFERS:

Fund Transferred To	Fund Transferred From	Amount
General Fund	Public Improvement	\$ 189,976
Major Street	General Fund	11,758
	Street Construction	551,520
Local Street	General Fund	21,933
	Major Street	99,476
	Street Construction	243,890
Cemetery Operations	General Fund	25,000
	Cemetery Perpetual Care	47,036
Waterfront Festival	General Fund	8,500
Spies Public Library	General Fund	290,935
	Public Improvement	30,000
Street Construction Debt Reduction	Major Street	156,345
		<u>\$ 1,676,369</u>

NOTE 8 - LONG-TERM DEBT:

The following is a summary of changes in long-term obligations of the City for the year ended June 30, 2005:

	Balance 7/1/04	Increases	Decreases	Balance 6/30/05	Due Within One Year
Governmental Activities:					
Bonds and Notes Payable:					
Bonds	\$ 5,320,000	\$ -	\$ 670,000	\$ 4,650,000	\$ 705,000
Notes	544,637	82,500	101,134	526,003	103,906
Total	<u>5,864,637</u>	<u>82,500</u>	<u>771,134</u>	<u>5,176,003</u>	<u>808,906</u>
Other Liabilities:					
Vested Compensated Absences	<u>236,133</u>	<u>205,958</u>	<u>207,837</u>	<u>234,254</u>	<u>193,432</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 6,100,770</u>	<u>\$ 288,458</u>	<u>\$ 978,971</u>	<u>\$ 5,410,257</u>	<u>\$ 1,002,338</u>
Business-Type Activities:					
Bonds and Notes Payable:					
Bonds	\$ 4,103,000	\$ -	\$ 372,000	\$ 3,731,000	\$ 384,000
Notes	357,280	-	44,599	312,681	46,607
Total Business-Type Activities Long-Term Liabilities	<u>\$ 4,460,280</u>	<u>\$ -</u>	<u>\$ 416,599</u>	<u>\$ 4,043,681</u>	<u>\$ 430,607</u>

CITY OF MENOMINEE, MICHIGAN

Notes to Financial Statements
June 30, 2005

NOTE 8 - LONG-TERM DEBT (Continued):

All general obligation debt is secured by the full faith and credit and unlimited taxing power of the City. General obligation debt at June 30, 2005 is comprised of the following individual issues:

	Date of Issuance	Final Maturity	Interest Rates	Original Indebtedness	Balance 06/30/05
Governmental Activities					
Long-Term Obligations:					
2001 Bonds	03/01/01	03/01/12	3.40 – 4.30%	\$ 4,500,000	\$ 3,450,000
2001 Bonds	09/27/01	09/01/06	3.00 – 4.25%	855,000	290,000
2003 Bonds	09/04/03	09/01/16	2.25 – 4.56%	965,000	910,000
2001 Notes	09/05/01	09/15/05	5.25%	97,951	25,412
2001 Notes	09/16/01	09/15/08	5.29%	534,549	359,154
2002 Notes	08/30/02	08/30/08	4.15%	85,000	58,937
2005 Notes	02/28/05	09/15/08	3.50%	82,500	82,500
Sub-Total					<u>5,176,003</u>
Vested Compensated Absences					<u>234,254</u>
Total Governmental Activities Long-Term Obligations					<u>\$ 5,410,257</u>
Business Type Activities					
Long-Term Obligations:					
1991 Bonds	11/01/91	11/01/06	5.00 – 6.45%	\$ 1,155,000	\$ 125,000
1992 Bonds	09/02/94	09/01/13	2.00%	1,520,000	680,000
1998 Bonds	09/23/98	09/01/17	4.50%	1,665,000	1,537,000
1998 Bonds	09/23/98	09/01/38	4.50%	300,000	289,000
1992 Bonds	11/01/92	11/01/05	5.20%	800,000	100,000
1999 Bonds	05/01/99	05/01/16	4.20 – 5.00%	1,250,000	1,000,000
2002 Notes	08/30/02	08/30/10	4.45%	400,000	312,681
Total Business Type Activities Long-Term Obligations					<u>\$ 4,043,681</u>

Debt service requirements to maturity are as follows:

Years	Governmental Type Long-Term Debt		Business Type Long-Term Debt	
	Principal	Interest	Principal	Interest
2006	\$ 808,906	\$ 204,168	\$ 430,607	\$ 166,036
2007	544,748	173,995	208,681	148,199
2008	574,902	152,075	216,847	140,778
2009	603,320	128,391	226,110	133,105
2010	584,127	102,806	234,473	125,016
2011-2015	1,865,000	184,911	956,963	501,652
2016-2020	195,000	8,986	457,000	337,170
2021-2025	-	-	267,000	272,430
2026-2030	-	-	329,000	207,025
2031-2035	-	-	418,000	125,595
2036-2039	-	-	299,000	27,135
Total	<u>\$ 5,176,003</u>	<u>\$ 955,332</u>	<u>\$ 4,043,681</u>	<u>\$ 2,184,141</u>

CITY OF MENOMINEE, MICHIGAN

Notes to Financial Statements

June 30, 2005

NOTE 9 - RESTRICTED ASSETS:

The balances of the restricted asset accounts are as follows:

	Governmental Fund Type	Business Type	Total
Cemetery Perpetual Care	\$ 1,124,985	\$ -	\$ 1,124,985
Spies Field Improvements	124,038	-	124,038
Street Construction	1,530,576	-	1,530,576
Grant Construction – Debit Service	39,704	-	39,704
Spies Library – Debit Service	125,549	-	125,549
Water Utility:			
Replacement	-	148,183	148,183
Wastewater Utility:			
Bond Redemption	-	229,304	229,304
Bond Reserve	-	247,412	247,412
Replacement	-	950,712	950,712
Total Restricted Cash and Investments	<u>\$ 2,944,852</u>	<u>\$ 1,575,611</u>	<u>\$ 4,520,463</u>

NOTE 10 - RISK MANAGEMENT:

The City of Menominee is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City of Menominee has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 11 – NET ASSETS/FUND BALANCES:

GASB Statement No. 34 requires the classification of net assets into three components – invested in capital assets, net of related debt; restricted; and unrestricted. Net assets reported on the government wide statement of net assets at June 30, 2005 includes the following:

Invested in Capital Assets, Net of Related Debt:	
Land and Construction in Process	\$ 2,396,724
Other Capital Assets, Net of Accumulated Depreciation	46,284,707
Less: Related Long-Term Debt Outstanding, less Unspent Portion	<u>(10,118,589)</u>
Total Invested in Capital Assets, Net of Related Debt	38,562,847
Net Assets Restricted For:	
Debt Service	641,493
Plant Replacement	1,098,895
Construction	1,805,683
Permanent Fund	1,095,773
Unrestricted	<u>5,126,496</u>
Total Net Assets – Government-Wide Statements	<u>\$ 48,331,187</u>

CITY OF MENOMINEE, MICHIGAN

Notes to Financial Statements

June 30, 2005

NOTE 11 – NET ASSETS/FUND BALANCES (Continued):

Fund balances reported in the governmental funds balance sheet at June 30, 2005:

Reserved:

General Fund:

Reserved for Inventory	\$ 27,598	
Reserved for Plant-A-Tree	5,770	
Reserved for Prepaid Expenditures	77,264	
Total General Fund		\$ 110,632

Special Revenue Funds:

Reserved for Cemetery Trusts	12,850	
Reserved for Library	21,391	
Reserved for Housing Rehabilitation	10,865	
Total Special Revenue funds		45,106

Debt Service Funds:

Reserved for Street Construction Debt	39,540	
Reserved for Library Debt	125,238	
Total Debt Service Funds		164,778

Capital Projects Funds:

Spies Field Improvement Project	159,080	
Street Construction	1,646,603	
Total Capital Projects Funds		1,805,683

Permanent Fund:

Cemetery Perpetual Care Fund	1,095,773	
------------------------------	-----------	--

Total Reserved Fund Balances	3,221,972
------------------------------	-----------

Unreserved/Designated:

General Fund:

Condemnation	2,987
Parks-Boat Launches	16,108
Swim Pier Equipment	1,100
Circle Lane	52,022
Fuel Pump	36,860
Henes Park Pavilion	3,755
Landfill Pump Management	7,000
Alleys	13,000
Parks-Special Projects	44,161
Recreation	10,129
Bricks	3,751
DARE Program	2,343
Flags	200
Spies Field	32,131
Rescue Squad	16,000
Henes Park Project	43,482
Water Tower Improvements	10,000
Total Unreserved/Designated	295,029

CITY OF MENOMINEE, MICHIGAN

Notes to Financial Statements

June 30, 2005

NOTE 11 – NET ASSETS/FUND BALANCES (Continued):

Unreserved/Undesignated:

General Fund	\$ 881,464
Major Street Fund	76,922
Local Street Fund	55,379
Menominee Iron Works	992,367
Other Special Revenue Funds	559,457
Total Unreserved/Undesignated	<u>2,565,589</u>

Total Government Funds' Fund Balance	<u>\$ 6,082,590</u>
--------------------------------------	---------------------

NOTE 12 - RELATED PARTY TRANSACTIONS:

Related party transactions are as follows

Company	Related Party	Relationship	Amount
Barley Trucking & Excavating	Jill Schwanz, City Assessor	Owner's sister	\$ 536,923
Long Heating and Cooling	Jill Schwanz, City Assessor	Owner's sister	1,367
Schloegel's Restaurant	Todd Schloegel, Council Member	Part Owner	341
Solander Electric	Jill Schwanz, City Assessor	Owner's sister-in-law	7,499

NOTE 13 - CONTINGENT LIABILITIES:

From time to time, the City is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the City attorney that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the City's financial position or results of operations.

The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

NOTE 14 - RETIREMENT COMMITMENTS:

City employees are covered by either the Policemen and Firemen Retirement System (PFRS) or the Municipal Employees' Retirement System (MERS).

Police and Firemen Retirement System (PFRS)

Police and Firemen Retirement System (PFRS) is a single-employer defined benefit pension plan administered by the City of Menominee. The plan is accounted for as a separate pension trust fund in the City's financial statements. The PFRS is authorized and operated under state law, Act 345 of the Public Acts of 1937, as amended.

CITY OF MENOMINEE, MICHIGAN

Notes to Financial Statements

June 30, 2005

NOTE 14 - RETIREMENT COMMITMENTS (Continued):

	<u>Eligibility</u>	<u>Amount</u>
Service Retirement:	Police: Any age with 20 or more years of service or age 60 regardless of service.	Straight life pension equals 2.5% of 3 year average final compensation (AFC) times years of service.
	Fire: Age 50 with 25 or more years of service or age 60 regardless of service	Straight life pension equals 3.0% of 3 year AFC times years of service - Lump sum payments for unused vacation are included in AFC for Firefighters.
Deferred Retirement:	10 or more years of service.	Computed as service retirement but based upon service, AFC and benefit in effect at termination. Benefit begins at date retirement would have occurred had member remained in employment.
Death After Retirement Survivor's Pension:	Payable to a surviving spouse, if any, upon the death of a retired member who was receiving a straight life pension which was effective July 1, 1975 or later.	Spouse's pension equals 60% of the straight life pension the deceased retirant was receiving.
Non-Duty Death-In-Service Survivor's Pension:	Payable to a surviving spouse, if any, upon the death of a member with 20 or more years of service.	Accrued straight life pension actuarially reduced in accordance with an Option I election.
Duty Death-In-Service Survivor's Pension:	Payable upon the expiration of worker's compensation to the survivors of a member who died in the line of duty.	Same amount that was paid by worker's compensation.
Non-Duty Disability:	Payable upon the total and permanent disability of a member with 5 or more years of service.	To Age 55: 1.5% of AFC times years of service. At age 55: Same as Service Retirement Pension.
Duty Disability:	Payable upon the total and permanent disability of a member in the line of duty.	To Age 55: 50% of AFC. At age 55: Same as Service Retirement Pension with service credit from date of disability to Age 55.

CITY OF MENOMINEE, MICHIGAN

Notes to Financial Statements

June 30, 2005

NOTE 14 - RETIREMENT COMMITMENTS (Continued):**Post-Retirement Increases**

A one-time bonus of \$350 was paid to persons receiving benefits as of December, 1, 1988.

Member Contributions

5.3% Police

5.0% Fire

Upon retirement, a Fire member may withdraw their accumulated contributions with interest and receive correspondingly reduced lifetime benefit.

City's Contributions

4.73% Police

10.62% Fire

Actuarial Accrued Liability

The actuarial accrued liability was determined as part of an actuarial valuation of the plan as of June 30, 2004. Significant actuarial assumptions used in determining the actuarial accrued liability included a) a rate of return on the investment of present and future assets of 8.0%, b) projected salary increases of 5% per year compounded annually, attributable to inflation and c) additional salary increases of 5.2% to 9% per year, depending on age, attributable to seniority/merit.

All entries are based on the actuarial methods and assumptions that were used in the June 30, 2004 actuarial valuation to determine the annual employer contribution amounts. The individual entry-age actuarial cost method was used to determine the entries at disclosure.

GASB 25 Information (As of 12/31/04)**Actuarial Accrued Liability:**

To Retirants and Beneficiaries	\$ 4,331,254
To Present Active Members:	
Member Contributions	613,938
Employer Financed Portion	3,959,001
Total Actuarial Accrued Liability	<u>8,904,193</u>

Actuarial Value of Assets	9,556,866
Unfunded (Overfunded) Actuarial Accrued Liability	<u>\$ (652,673)</u>

CITY OF MENOMINEE, MICHIGAN

Notes to Financial Statements

June 30, 2005

NOTE 14 - RETIREMENT COMMITMENTS (Continued):

GASB 27 Information

Contributions required and made – The funding policy of the plan provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the fiscal year ended June 30, 2004 were determined using the individual entry-age actuarial cost method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of thirty years. The following table provides a schedule of contribution amounts and percentages for recent years.

Year Ended June 30,	Annual Required Contribution	Percent Contributed
1999	\$ 64,985	100%
2000	61,725	100%
2001	59,524	100%
2002	62,238	100%
2003	72,637	100%

The amount shown above as the annual required contribution is the amount actually contributed in each fiscal year. These amounts are determined by applying the computed employer percent of payroll contribution rate to the actual pay during the fiscal year.

The employer portion of the contribution for the fiscal year ending June 30, 2005 was \$89,230.

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	(b-a/c) UAL as a Percentage of Covered Payroll
06/30/99	\$ 8,166,375	\$ 6,808,181	\$ 1,358,194	120%	\$ 1,086,706	-
06/30/00	8,681,934	7,153,496	1,528,438	121%	1,229,250	-
06/30/01	9,092,177	7,581,435	1,510,742	120%	1,339,922	-
06/30/02	9,347,631	7,737,906	1,609,725	121%	1,391,279	-
06/30/03	9,438,016	8,263,479	1,174,537	114%	1,397,778	-
06/30/04	9,556,866	8,904,193	652,673	107%	1,405,567	-

Membership of the plan consists of the following at June 30, 2004:

Retirees and Beneficiaries Receiving Benefits	17
Active Plan Members	31
Total	<u>58</u>

Michigan Municipal Employees Retirement System (MERS)

The City of Menominee contributes to the Michigan Municipal Employees Retirement System (MERS), a multiple-employer public retirement system that acts as a common investment and administrative agent for municipalities in the State of Michigan. The plan issues a stand-alone financial report.

CITY OF MENOMINEE, MICHIGAN**Notes to Financial Statements**

June 30, 2005

NOTE 14 - RETIREMENT COMMITMENTS (Continued):**Michigan Municipal Employees Retirement System (MERS) (Continued)**

All full-time and certain part-time City employees, except for Police and Fire employees who are covered exclusively under the Police and Fire Retirement System, are eligible to participate in the MERS. Benefits vest after 10 years of service. Normal retirement provisions of the MERS apply to participants who retire at or after age 60 with at least 10 years of credited service. Employees with 15 years of credited service may retire at or after age 55 with reduced benefits. Employees with 25 years or more of credited service may retire at or after age 50 with reduced benefits. Employees with 30 years of credited service may retire at or after age 55 with full benefits. The annual retirement benefits of non-union, Teamster, and Department Heads have a benefit which calls for benefits equal to 2 to 2.5 percent of average annual compensation for the last three years of employment multiplied by years of credited service with a maximum benefit of 80% of final average compensation.

Actuarial Accrued Liability

The actuarial accrued liability was determined as part of an actuarial valuation of the plan as of June 30, 2004. Significant actuarial assumptions used in determining the actuarial accrued liability include a) a rate of return on the investment of present and future assets of 8.0%, b) projected salary increases of 4.5% per year compounded annually, attributable to inflation and c) additional salary increases of 0.00% to 4.16% per year, depending on age, attributable to merit and longevity.

All entries are based on the actuarial methods and assumptions that were used in the June 30, 2004 actuarial valuation to determine the annual employer contribution amounts. The entry age normal cost method was used to determine the entries at disclosure.

GASB 25 Information (As Of 12/31/04)

Actuarial Accrued Liability:	
Retirees and Beneficiaries Currently Receiving Benefits	\$ 2,886,572
Terminated Employees not yet Receiving Benefits	260,704
Current Employees:	
Accumulated Employee Contributions Including Allocated	
Investment Income	142,276
Employer Financed	3,455,052
Total Actuarial Accrued Liability	<u>6,744,604</u>

Net Assets Available for Benefits at Actuarial Value (Market Value is \$5,335,179)	<u>5,982,657</u>
Unfunded (Overfunded) Actuarial Accrued Liability	<u>\$ 761,947</u>

Fiscal Year Beginning 09/01/06

Annual Required Contribution (ARC) \$ 179,748*

Amortization Factor Used – Underfunded Liabilities (30 Years) 0.053632

*Based on valuation payroll, but the actual required contribution will be based on current monthly payroll (during the fiscal year beginning September 1, 2006) times the computed employer contribution rate.

CITY OF MENOMINEE, MICHIGAN

Notes to Financial Statements
June 30, 2005

NOTE 14 - RETIREMENT COMMITMENTS (Continued):

GASB 27 Information

The employer contribution rate has been determined based on the entry age normal cost method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry-age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his or her projected benefit. The following table provides a schedule of contribution amounts and percentages of recent years.

Year Ended June 30,	Annual Required Contribution	Percent Contributed
2001	\$ 20,231	100%
2002	8,868	100%
2003	52,399	100%
2004	105,758	100%

SCHEDULE OF FUND PROGRESS

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	(b-a/c) UAL as a Percentage of Covered Payroll
2001	\$ 5,884,383	\$ 5,921,115	\$ 36,732	99%	\$ 1,845,391	2%
2002	5,727,331	6,126,064	398,733	93%	1,887,625	21%
2003	5,842,880	6,484,027	641,147	90%	2,018,837	32%
2004	5,982,657	6,744,604	761,947	89%	2,031,211	38%

Membership of the plan consists of the following at December 31, 2004:

Active Member	49
Vested Former Members	12
Retirees and Beneficiaries	44
Total	<u>105</u>

NOTE 15 - LANDFILL CLOSURE AND POST-CLOSURE CARE COSTS:

Underground water contamination had been discovered at the City's closed landfill site. The City has installed a well monitoring system. The Environmental Protection Agency has signed off on the corrective action taken by the City. The annual operation and maintenance cost approximates \$45,000 per year. The City will be responsible for this cost into perpetuity.

CITY OF MENOMINEE, MICHIGAN

Notes to Financial Statements

June 30, 2005

NOTE 16 – CONSTRUCTION COMMITMENTS:

The City has active construction projects at year-end. The projects include improvements to parks, buildings and utilities. At year-end the City's commitments with contractors are as follows:

	Spent to Date	Remaining Commitment
Spies Field Project	\$ 338,443	\$ 1,541,812
Library Cornice Replacement	33,000	54,721
Wastewater Generator	271,171	34,529
Other Utility Improvement Projects	-	97,030
Total	<u>\$ 642,614</u>	<u>\$ 1,728,092</u>

NOTE 17 – SUBSEQUENT OBLIGATIONS:

On June 20, 2005, the City approved a financing agreement to cover cash requirements for the Spies Field Improvement Project. The loan is to be repaid with money from fundraising pledges. The loan is not included in the long-term debt section of the Statement of Net Assets, since no proceeds had been received as of year-end. Details of the loan are as follows:

Principal	\$ 600,000
Interest Rate	3.6%

Payment Schedule: Four principal payments of \$150,000 each to be paid on July 15, 2006 and continuing annually thereafter, together with four annual payments of accrued interest.

NOTE 18 – FUTURE ACCOUNTING STANDARDS:

In 2004, the Governmental Accounting Standards board (GASB) approved Statement No. 45. This Statement requires that state and local governments in the United States account for and report the annual cost of OPEB (Other Post Employment Benefits) and the outstanding obligation and commitments. GASB Statement 45 *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pension* is effective for the fiscal year beginning July 1, 2009.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MENOMINEE, MICHIGAN
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual Comparisons
General Fund
For the Year Ended June 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
REVENUES:				
Property Taxes	\$ 2,883,779	\$ 2,883,779	\$ 2,897,644	\$ 13,865
Federal Grants	-	-	33,300	33,300
State Grants	39,500	39,500	3,444	(36,056)
State Shared Revenue	1,198,000	1,198,000	1,225,779	27,779
Licenses and Permits	104,300	104,300	120,118	15,818
Fines and Forfeitures	38,000	38,000	34,090	(3,910)
Interest and Rentals	29,770	29,770	41,434	11,664
Charges for Services	4,000	4,000	2,500	(1,500)
Other	90,972	132,972	239,017	106,045
Total Revenues	<u>4,388,321</u>	<u>4,430,321</u>	<u>4,597,326</u>	<u>167,005</u>
EXPENDITURES:				
General Government				
City Council	15,200	15,200	14,269	931
Judicial - Other Labor	3,000	3,000	1,290	1,710
City Mayor	2,250	2,250	2,283	(33)
City Manager	101,060	135,560	133,117	2,443
Elections	8,250	11,450	11,362	88
Assessor	48,529	65,529	65,499	30
City Attorney	87,268	251,918	242,650	9,268
Clerk/Treasurer	215,365	301,115	293,795	7,320
Board of Review	2,100	2,100	2,021	79
Building and Grounds	119,188	127,288	121,899	5,389
Total General Government	<u>602,210</u>	<u>915,410</u>	<u>888,185</u>	<u>27,225</u>
Public Safety				
Police Department	904,733	1,195,833	1,180,186	15,647
Fire Department	778,721	1,096,721	1,069,306	27,415
Building Inspector	70,375	103,675	102,013	1,662
Zoning Board of Appeals	700	700	100	600
Construction Board	200	200	-	200
Animal Control - Animal Care	15,750	19,950	21,614	(1,664)
Other Protection - Rescue Squad	8,000	8,000	-	8,000
Total Public Safety	<u>1,778,479</u>	<u>2,425,079</u>	<u>2,373,219</u>	<u>51,860</u>
Highways, Street and Bridges				
City Engineer	53,975	90,975	88,993	1,982
Street Lighting	110,750	110,750	102,645	8,105
Alleys	11,000	11,000	8,316	2,684
Non-motorized Construction	30,000	30,000	1,729	28,271
Total Highways, Streets and Bridges	<u>205,725</u>	<u>242,725</u>	<u>201,683</u>	<u>41,042</u>

CITY OF MENOMINEE, MICHIGAN
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual Comparisons
General Fund
For the Year Ended June 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Sanitation				
Waste Collection	\$ 69,815	\$ 97,315	\$ 96,461	\$ 854
Rubbish Collection	48,000	72,000	62,090	9,910
Landfill	201,340	201,340	183,036	18,304
Recycling	28,100	28,100	28,763	(663)
Total Sanitation	<u>347,255</u>	<u>398,755</u>	<u>370,350</u>	<u>28,405</u>
Culture and Recreation				
Parks Department	107,989	131,689	135,290	(3,601)
Marina	950	1,300	1,276	24
Henes Park	77,528	98,528	98,658	(130)
City Recreation	86,706	101,006	100,050	956
Total Culture and Recreation	<u>273,173</u>	<u>332,523</u>	<u>335,274</u>	<u>(2,751)</u>
Other Functions				
Community Development	1,450	13,650	13,746	(96)
Economic Development	27,126	27,126	23,869	3,257
Fixed Expenses	222,800	62,900	55,707	7,193
Total Other Functions	<u>251,376</u>	<u>103,676</u>	<u>93,322</u>	<u>10,354</u>
Capital Outlay	<u>231,000</u>	<u>726,182</u>	<u>704,951</u>	<u>21,231</u>
Debt Service	<u>113,134</u>	<u>113,134</u>	<u>129,428</u>	<u>(16,294)</u>
Total Expenditures	<u>3,802,352</u>	<u>5,257,484</u>	<u>5,096,412</u>	<u>161,072</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>585,969</u>	<u>(827,163)</u>	<u>(499,086)</u>	<u>328,077</u>
OTHER FINANCING SOURCES (USES):				
Proceeds From Loan	-	82,500	82,500	-
Operating Transfers in	311,000	189,976	189,976	-
Operating Transfers Out	(324,435)	(324,435)	(358,125)	(33,690)
Total Other Financing Sources (Uses)	<u>(13,435)</u>	<u>(51,959)</u>	<u>(85,649)</u>	<u>(33,690)</u>
NET CHANGE IN FUND BALANCE	<u>572,534</u>	<u>(879,122)</u>	<u>(584,735)</u>	<u>294,387</u>
FUND BALANCES - BEGINNING	<u>1,871,860</u>	<u>1,871,860</u>	<u>1,871,860</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 2,444,394</u>	<u>\$ 992,738</u>	<u>\$ 1,287,125</u>	<u>\$ 294,387</u>

CITY OF MENOMINEE, MICHIGAN
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual Comparisons
Major Street Fund
For the Year Ended June 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
REVENUES:				
Property Taxes	\$ 153,000	\$ 153,000	\$ 156,346	\$ 3,346
Federal Grants	-	-	189,980	189,980
State Grants and Shared Revenue	475,000	475,000	582,613	107,613
Other	20,000	20,000	25,705	5,705
Total Revenues	<u>648,000</u>	<u>648,000</u>	<u>954,644</u>	<u>306,644</u>
EXPENDITURES:				
Highways, Street and Bridges	408,000	408,000	496,024	(88,024)
Capital Outlay	600,000	600,000	741,499	(141,499)
Total Expenditures	<u>1,008,000</u>	<u>1,008,000</u>	<u>1,237,523</u>	<u>(229,523)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(360,000)</u>	<u>(360,000)</u>	<u>(282,879)</u>	<u>77,121</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from Long Term Debt				
Operating Transfers In	467,500	467,500	563,278	95,778
Operating Transfers Out	-	-	(255,822)	(255,822)
Total Other Financing Sources (Uses)	<u>467,500</u>	<u>467,500</u>	<u>307,456</u>	<u>(160,044)</u>
NET CHANGE IN FUND BALANCE	<u>107,500</u>	<u>107,500</u>	<u>24,577</u>	<u>(82,923)</u>
FUND BALANCES - BEGINNING	<u>52,345</u>	<u>52,345</u>	<u>52,345</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 159,845</u>	<u>\$ 159,845</u>	<u>\$ 76,922</u>	<u>\$ (82,923)</u>

CITY OF MENOMINEE, MICHIGAN
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual Comparisons
Local Street Fund
For the Year Ended June 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
REVENUES:				
State Grants and Shared Revenue	\$ 170,000	\$ 170,000	\$ 257,368	\$ 87,368
Other	12,000	12,000	18,192	6,192
Total Revenues	<u>182,000</u>	<u>182,000</u>	<u>275,560</u>	<u>93,560</u>
EXPENDITURES:				
Highways, Street and Bridges	214,500	214,500	235,188	(20,688)
Capital Outlay	400,000	400,000	380,817	19,183
Total Expenditures	<u>614,500</u>	<u>614,500</u>	<u>616,005</u>	<u>(1,505)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(432,500)</u>	<u>(432,500)</u>	<u>(340,445)</u>	<u>92,055</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from Long Term Debt	-	-	-	-
Operating Transfers In	432,500	432,500	365,299	(67,201)
Operating Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	<u>432,500</u>	<u>432,500</u>	<u>365,299</u>	<u>(67,201)</u>
NET CHANGE IN FUND BALANCE	-	-	24,854	24,854
FUND BALANCES - BEGINNING	<u>30,525</u>	<u>30,525</u>	<u>30,525</u>	-
FUND BALANCES - ENDING	<u>\$ 30,525</u>	<u>\$ 30,525</u>	<u>\$ 55,379</u>	<u>\$ 24,854</u>

CITY OF MENOMINEE, MICHIGAN
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual Comparisons
Menominee Iron Works
For the Year Ended June 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
REVENUES:				
Interest and Rentals	\$ 1,250	\$ 1,250	\$ 21,397	\$ 20,147
Total Revenues	<u>1,250</u>	<u>1,250</u>	<u>21,397</u>	<u>20,147</u>
EXPENDITURES:				
Other	1,000	1,000	3,085	(2,085)
Total Expenditures	<u>1,000</u>	<u>1,000</u>	<u>3,085</u>	<u>(2,085)</u>
NET CHANGE IN FUND BALANCE	250	250	18,312	18,062
FUND BALANCES - BEGINNING	<u>974,055</u>	<u>974,055</u>	<u>974,055</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 974,305</u>	<u>\$ 974,305</u>	<u>\$ 992,367</u>	<u>\$ 18,062</u>

CITY OF MENOMINEE, MICHIGAN
Notes to Required Supplementary Information
For the Year Ended June 30, 2005

BUDGETS AND BUDGETARY ACCOUNTING:

The budgets have been adopted on a basis consistent with generally accepted accounting principles for the General Fund, Special Revenue Funds, Debt Service Funds, Capital Project Funds and Proprietary Funds.

The City follows these procedures in establishing the budgetary data reflected in the basic financial statements.

- a. Prior to the first Monday of March, every department or board submits to the city manager an itemized estimate of its expected income and expenditures during the next fiscal year for the department or activities under its control. The city manager then prepares a proposed budget. A public hearing is then held regarding the proposed budget.
- b. Not later than sixty days prior to July 1, a recommended budget within the tax limit and other revenue sources of the City is presented to the city council. The annual appropriations bill must then be passed no later than thirty days prior to July 1.
- c. The city manager may transfer budget amounts between departments within any fund and shall report such transfers to the council in writing in a timely manner. However, any revisions that alter the total expenditures of any fund must be approved by the city council.
- d. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Funds, Capital Project Funds and Proprietary Funds.

BASIS OF ACCOUNTING:

The budget is prepared on the same modified accrual basis of accounting as applied to the governmental funds in the basic financial statements.

EXCESS OF EXPENDITURES OVER APPROPRIATIONS:

The following had an excess of actual expenditures over budget for the year ended June 30, 2005:

Individual Fund	Excess Expenditures
General Fund	
Culture and Recreation	\$ 2,751
Debt Service	16,294
Operating Transfers Out	33,691
Major Streets	
Highway, Street and Bridges	88,024
Capital Outlay	141,499
Operating Transfers Out	255,822
Local Streets	
Highway, Street and Bridges	20,688
Menominee Iron Works	
Other	2,085

SUPPLEMENTARY INFORMATION

CITY OF MENOMINEE, MICHIGAN
Schedule of Detailed Revenues - Budget and Actual
General Fund
Year Ended June 30, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget Favorable (Unfavorable)</u>
TAXES:				
Assessed Value:				
Real Property	\$ 2,228,029	\$ 2,228,029	\$ 2,232,045	\$ 4,016
Personal Property	622,000	622,000	627,023	5,023
Total Assessed Value	<u>2,850,029</u>	<u>2,850,029</u>	<u>2,859,068</u>	<u>9,039</u>
Taxes Other Than Assessed Value:				
In Lieu of Taxes-Housing	11,000	11,000	9,086	(1,914)
Mobile Home	750	750	932	182
Total Taxes Other Than Assessed Value	<u>11,750</u>	<u>11,750</u>	<u>10,018</u>	<u>(1,732)</u>
Penalties and Interest on Taxes	<u>22,000</u>	<u>22,000</u>	<u>28,558</u>	<u>6,558</u>
Total Taxes	<u>2,883,779</u>	<u>2,883,779</u>	<u>2,897,644</u>	<u>13,865</u>
LICENSES AND PERMITS:				
Business Licenses and Permits:				
CATV Franchises and Fees	80,000	80,000	101,070	21,070
Taxi Licenses	100	100	75	(25)
Vendor Permits	250	250	290	40
Total Business Licenses and Permits	<u>80,350</u>	<u>80,350</u>	<u>101,435</u>	<u>21,085</u>
Nonbusiness Licenses and Permits:				
Building	15,000	15,000	10,739	(4,261)
Occupancy	2,700	2,700	2,680	(20)
Rental Housing Inspections	6,000	6,000	4,800	(1,200)
Dog and Cat	-	-	44	44
Zoning	250	250	420	170
Total Nonbusiness Licenses and Permits	<u>23,950</u>	<u>23,950</u>	<u>18,683</u>	<u>(5,267)</u>
Total Licenses and Permits	<u>104,300</u>	<u>104,300</u>	<u>120,118</u>	<u>15,818</u>
INTERGOVERNMENTAL REVENUES:				
Federal Grants	<u>-</u>	<u>-</u>	<u>33,300</u>	<u>33,300</u>
State Grants:				
Michigan Justice Training	4,500	4,500	3,444	(1,056)
Other	35,000	35,000	-	(35,000)
Total State Grants	<u>39,500</u>	<u>39,500</u>	<u>3,444</u>	<u>(36,056)</u>
State Shared Revenue:				
Income Sales and Use Tax	1,190,000	1,190,000	1,184,348	(5,652)
Liquor License	8,000	8,000	7,740	(260)
Maintenance Fee	-	-	33,691	33,691
Total State Shared Revenue	<u>1,198,000</u>	<u>1,198,000</u>	<u>1,225,779</u>	<u>27,779</u>
Total Intergovernmental Revenues	<u>1,237,500</u>	<u>1,237,500</u>	<u>1,262,523</u>	<u>25,023</u>
CHARGES FOR SERVICE - Fire Runs and Protection	<u>4,000</u>	<u>4,000</u>	<u>2,500</u>	<u>(1,500)</u>

CITY OF MENOMINEE, MICHIGAN
Schedule of Detailed Revenues - Budget and Actual
General Fund
Year Ended June 30, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget Favorable (Unfavorable)</u>
FINES AND FORFEITS:				
Parking Violations	\$ 3,000	\$ 3,000	\$ 3,590	\$ 590
District Court	35,000	35,000	30,500	(4,500)
Animal Control	-	-	-	-
Total Fines and Forfeits	<u>38,000</u>	<u>38,000</u>	<u>34,090</u>	<u>(3,910)</u>
INTEREST AND RENTALS				
Interest on Investments	25,000	25,000	23,097	(1,903)
Interest on Special Assessments	-	-	1,351	1,351
Rent-Real Estate	4,770	4,770	4,220	(550)
Rent-Equipment	-	-	12,766	12,766
Total Interest and Rentals	<u>29,770</u>	<u>29,770</u>	<u>41,434</u>	<u>11,664</u>
OTHER REVENUES:				
Sale of Assets	9,000	9,000	64,955	55,955
Special Assessments	-	-	14,280	14,280
Boat Launch Fees	-	-	5,368	5,368
Copier Charges	5,000	5,000	5,175	175
Recycling	4,000	4,000	9,923	5,923
Refunds/Rebates	-	42,000	44,706	2,706
Other	4,000	4,000	10,883	6,883
Reimbursements-Utility	54,972	54,972	56,672	1,700
Donations	-	-	6,755	6,755
Gas/Diesel Sales	-	-	5,151	5,151
Recreation	14,000	14,000	15,149	1,149
Total Other Revenues	<u>90,972</u>	<u>132,972</u>	<u>239,017</u>	<u>106,045</u>
OTHER FINANCING SOURCES:				
Proceeds From Bank Loan	-	82,500	82,500	-
Operating Transfer In	311,000	189,976	189,976	-
Total Other Financing Sources	<u>311,000</u>	<u>272,476</u>	<u>272,476</u>	<u>-</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 4,699,321</u>	<u>\$ 4,702,797</u>	<u>\$ 4,869,802</u>	<u>\$ 167,005</u>

CITY OF MENOMINEE, MICHIGAN
Schedule of Detailed Expenditures - Budget and Actual
General Fund
Year Ended June 30, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget Favorable (Unfavorable)</u>
GENERAL GOVERNMENT:				
City Council:				
Salaries	\$ 8,000	\$ 8,000	\$ 8,001	\$ (1)
Fringe Benefits	-	-	655	(655)
Office Supplies	100	100	-	100
Publications	7,000	7,000	5,570	1,430
Travel	100	100	43	57
Total City Council	<u>15,200</u>	<u>15,200</u>	<u>14,269</u>	<u>931</u>
Judicial - Other Labor	<u>3,000</u>	<u>3,000</u>	<u>1,290</u>	<u>1,710</u>
City Mayor:				
Salaries	1,250	1,250	1,250	-
Travel	1,000	1,000	1,033	(33)
Total City Mayor	<u>2,250</u>	<u>2,250</u>	<u>2,283</u>	<u>(33)</u>
City Manager:				
Salaries	95,438	95,938	95,579	359
Fringe Benefits	-	34,000	32,206	1,794
Longevity	1,152	1,152	1,136	16
Office Supplies	100	100	34	66
Publications	250	250	165	85
Auto Allowance	1,620	1,620	1,620	-
Travel	2,500	2,500	2,377	123
Total City Manager	<u>101,060</u>	<u>135,560</u>	<u>133,117</u>	<u>2,443</u>
Elections:				
Salaries	6,250	9,450	9,773	(323)
Fringe Benefits	-	-	13	(13)
Office Supplies	1,000	1,000	1,180	(180)
Publications	1,000	1,000	396	604
Total Elections	<u>8,250</u>	<u>11,450</u>	<u>11,362</u>	<u>88</u>
Assessor:				
Salaries	42,595	48,095	47,515	580
Fringe Benefits	-	11,500	11,231	269
Longevity	734	734	677	57
Office Supplies	3,700	3,700	3,623	77
Auto Allowance	500	500	-	500
Travel	1,000	1,000	2,453	(1,453)
Total Assessor	<u>48,529</u>	<u>65,529</u>	<u>65,499</u>	<u>30</u>

CITY OF MENOMINEE, MICHIGAN
Schedule of Detailed Expenditures - Budget and Actual
General Fund
Year Ended June 30, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget Favorable (Unfavorable)</u>
GENERAL GOVERNMENT (CONTINUED):				
City Attorney:				
Salaries	\$ 75,148	\$ 78,648	\$ 78,218	\$ 430
Fringe Benefits	-	40,700	39,042	1,658
Longevity	256	256	252	4
Office Supplies	600	600	1,088	(488)
Publications	7,000	7,000	6,368	632
Contract Services	2,000	122,450	116,579	5,871
Auto Allowance	264	264	264	-
Travel	2,000	2,000	839	1,161
Total City Attorney	<u>87,268</u>	<u>251,918</u>	<u>242,650</u>	<u>9,268</u>
Clerk/Treasurer:				
Salaries	148,281	159,031	156,590	2,441
Fringe Benefits	-	68,000	65,169	2,831
Longevity	1,472	1,472	1,460	12
Office Supplies	17,000	19,000	19,409	(409)
Postage	16,000	16,000	15,583	417
Equipment Maintenance	9,000	10,000	9,872	128
Audit	16,000	20,000	19,939	61
Auto Allowance	500	500	516	(16)
Travel	2,000	2,000	157	1,843
Lease/rental	5,112	5,112	5,100	12
Total Clerk/Treasurer	<u>215,365</u>	<u>301,115</u>	<u>293,795</u>	<u>7,320</u>
Board of Review:				
Salaries	1,500	1,500	1,088	412
Fringe Benefits	-	-	401	(401)
Office Supplies	100	100	101	(1)
Publications	500	500	431	69
Total Board of Review	<u>2,100</u>	<u>2,100</u>	<u>2,021</u>	<u>79</u>
Building and Grounds:				
Salaries	12,898	12,898	12,961	(63)
Fringe Benefits	-	8,100	7,919	181
Longevity	640	640	640	-
Operating and Building Supplies	23,600	23,600	23,390	210
Equipment Maintenance	12,000	12,000	1,740	10,260
Telephone	20,000	20,000	21,809	(1,809)
Electrical	30,000	30,000	31,530	(1,530)
Heat	16,150	16,150	17,885	(1,735)
Water	3,900	3,900	4,025	(125)
Total Building and Grounds	<u>119,188</u>	<u>127,288</u>	<u>121,899</u>	<u>5,389</u>
Total General Government	<u>602,210</u>	<u>915,410</u>	<u>888,185</u>	<u>27,225</u>

CITY OF MENOMINEE, MICHIGAN
Schedule of Detailed Expenditures - Budget and Actual
General Fund
Year Ended June 30, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget Favorable (Unfavorable)</u>
PUBLIC SAFETY:				
Police Department:				
Salaries	\$ 806,733	\$ 822,733	\$ 819,049	\$ 3,684
Fringe Benefits	-	272,000	265,118	6,882
Physical	3,000	3,000	491	2,509
Longevity	5,580	5,580	5,658	(78)
Operating Supplies	9,500	9,500	14,697	(5,197)
Uniforms	7,700	7,700	4,892	2,808
Police Lien	5,220	5,220	3,964	1,256
Travel	6,500	6,500	5,175	1,325
Equipment Maintenance	20,500	23,600	23,167	433
Radio Maintenance	4,500	4,500	3,587	913
Crossing Guards Salaries	15,000	15,000	12,383	2,617
Auxiliary Police Supplies	1,500	1,500	1,535	(35)
Michigan Justice Training Fund	5,000	5,000	1,917	3,083
Gas, Oil and Grease	14,000	14,000	18,553	(4,553)
Total Police Department	<u>904,733</u>	<u>1,195,833</u>	<u>1,180,186</u>	<u>15,647</u>
Fire Department:				
Salaries	665,131	718,131	714,209	3,922
Fringe Benefits	-	265,000	253,108	11,892
Physical	6,500	6,500	2,552	3,948
Longevity	6,496	6,496	6,448	48
Miscellaneous Labor	1,000	1,000	-	1,000
Office Supplies	1,000	1,000	626	374
Subscriptions and Dues	1,200	1,200	1,169	31
Building Supplies	2,250	2,250	2,442	(192)
Operating Supplies	13,000	13,000	12,759	241
Uniforms	4,500	4,500	2,861	1,639
Equipment Maintenance	13,000	13,000	12,531	469
Radio Maintenance	3,500	3,500	2,618	882
Gas, Oil and Grease	2,100	2,100	2,379	(279)
Travel	6,000	6,000	2,560	3,440
Hydrant Rental	53,044	53,044	53,044	-
Total Fire Department	<u>778,721</u>	<u>1,096,721</u>	<u>1,069,306</u>	<u>27,415</u>
Building Inspector:				
Salaries	65,175	71,475	71,085	390
Fringe Benefits	-	27,000	26,428	572
Longevity	320	320	282	38
Operating Supplies	2,000	2,000	1,240	760
Auto Expense	1,680	1,680	1,680	-
Travel	1,200	1,200	1,298	(98)
Total Building Inspector	<u>70,375</u>	<u>103,675</u>	<u>102,013</u>	<u>1,662</u>

CITY OF MENOMINEE, MICHIGAN
Schedule of Detailed Expenditures - Budget and Actual
General Fund
Year Ended June 30, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget Favorable (Unfavorable)</u>
PUBLIC SAFETY (CONTINUED):				
Zoning Board of Appeals:				
Salaries	\$ 200	\$ 200	\$ -	\$ 200
Publications	500	500	100	400
Total Zoning Board of Appeals	<u>700</u>	<u>700</u>	<u>100</u>	<u>600</u>
Construction Board:				
Salary	100	100	-	100
Fringe Benefits	-	-	-	-
Publications	100	100	-	100
Total Construction Board	<u>200</u>	<u>200</u>	<u>-</u>	<u>200</u>
Animal Control-Animal Care	<u>15,750</u>	<u>19,950</u>	<u>21,614</u>	<u>(1,664)</u>
Other Protection - Rescue Squad	<u>8,000</u>	<u>8,000</u>	<u>-</u>	<u>8,000</u>
Total Public Safety	<u>1,778,479</u>	<u>2,425,079</u>	<u>2,373,219</u>	<u>51,860</u>
HIGHWAYS, STREETS AND BRIDGES:				
City Engineer:				
Salaries	44,000	44,000	45,390	(1,390)
Fringe Benefits	-	37,000	28,984	8,016
Longevity	775	775	795	(20)
Office Supplies	3,700	3,700	646	3,054
Dues	650	650	347	303
Operating Supplies	1,600	1,600	8,394	(6,794)
Travel	1,500	1,500	665	835
Equipment Maintenance	1,350	1,350	3,500	(2,150)
Auto Expense	400	400	272	128
Total City Engineer	<u>53,975</u>	<u>90,975</u>	<u>88,993</u>	<u>1,982</u>
Street Lighting:				
Salaries	2,000	2,000	1,322	678
Fringe Benefits	-	-	523	(523)
Outside Labor	2,000	2,000	5,906	(3,906)
Operating Supplies	3,000	3,000	548	2,452
Electric	103,000	103,000	94,346	8,654
Contracted Services	750	750	-	750
Total Street Lighting	<u>110,750</u>	<u>110,750</u>	<u>102,645</u>	<u>8,105</u>
Alleys:				
Salaries	5,000	5,000	5,869	(869)
Fringe Benefits	-	-	2,018	(2,018)
Operating Supplies	3,000	3,000	429	2,571
Equipment Rental	3,000	3,000	-	3,000
Total Alleys	<u>11,000</u>	<u>11,000</u>	<u>8,316</u>	<u>2,684</u>

CITY OF MENOMINEE, MICHIGAN
Schedule of Detailed Expenditures - Budget and Actual
General Fund
Year Ended June 30, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget Favorable (Unfavorable)</u>
HIGHWAY, STREETS AND BRIDGES (CONTINUED):				
Non-Motorized Construction:				
Salaries	\$ 5,000	\$ 5,000	\$ 773	\$ 4,227
Fringe Benefits	-	-	321	(321)
Operating Supplies	5,000	5,000	635	4,365
Contracted Services	20,000	20,000	-	20,000
Total Non-Motorized Construction	<u>30,000</u>	<u>30,000</u>	<u>1,729</u>	<u>28,271</u>
 Total Highways, Streets and Bridges	 <u>205,725</u>	 <u>242,725</u>	 <u>201,683</u>	 <u>41,042</u>
SANITATION:				
Waste Collection:				
Salaries	54,391	57,891	56,204	1,687
Fringe Benefits	-	24,000	20,537	3,463
Longevity	224	224	224	-
Gas, Oil and Grease	4,700	4,700	6,976	(2,276)
Operating Supplies	2,000	2,000	574	1,426
Equipment Maintenance	8,500	8,500	11,946	(3,446)
Total Waste Collection	<u>69,815</u>	<u>97,315</u>	<u>96,461</u>	<u>854</u>
Rubbish Collection:				
Salaries	30,000	30,000	28,131	1,869
Fringe Benefits	-	24,000	8,918	15,082
Contracted Services	18,000	18,000	25,041	(7,041)
Total Rubbish Collection	<u>48,000</u>	<u>72,000</u>	<u>62,090</u>	<u>9,910</u>
Landfill:				
Salaries	150	150	-	150
Fringe Benefits	-	-	-	-
Operating Supplies	400	400	-	400
Contracted Services	34,000	34,000	14,634	19,366
Landfill Fees	151,790	151,790	151,932	(142)
Spring Clean-Up	15,000	15,000	16,470	(1,470)
Total Landfill	<u>201,340</u>	<u>201,340</u>	<u>183,036</u>	<u>18,304</u>
Recycling:				
Salaries	2,500	2,500	1,689	811
Fringe Benefits	-	-	606	(606)
Outside Labor	23,000	23,000	24,461	(1,461)
Contracted Services	-	-	849	(849)
Utilities	600	600	197	403
Operating Supplies	1,000	1,000	15	985
Equipment Rental	1,000	1,000	946	54
Total Recycling	<u>28,100</u>	<u>28,100</u>	<u>28,763</u>	<u>(663)</u>
 Total Sanitation	 <u>347,255</u>	 <u>398,755</u>	 <u>370,350</u>	 <u>28,405</u>

CITY OF MENOMINEE, MICHIGAN
Schedule of Detailed Expenditures - Budget and Actual
General Fund
Year Ended June 30, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget Favorable (Unfavorable)</u>
CULTURE AND RECREATION:				
Parks Department:				
Salaries	\$ 64,657	\$ 64,657	\$ 64,923	\$ (266)
Fringe Benefits	-	23,700	22,652	1,048
Longevity	432	432	170	262
Special Projects	4,000	4,000	1,618	2,382
Operating Supplies	7,000	7,000	20,037	(13,037)
Building Supplies	700	700	221	479
Equipment Maintenance	7,000	7,000	2,654	4,346
Equipment Rental	1,000	1,000	1,062	(62)
Gas, Oil and Grease	1,500	1,500	2,019	(519)
Utilities	16,000	16,000	16,598	(598)
Other	5,700	5,700	3,336	2,364
Total Parks Department	<u>107,989</u>	<u>131,689</u>	<u>135,290</u>	<u>(3,601)</u>
Marina:				
Salaries	200	200	-	200
Operating Supplies	750	1,100	1,276	(176)
Total Marina	<u>950</u>	<u>1,300</u>	<u>1,276</u>	<u>24</u>
Henes Park:				
Salaries	57,348	57,348	53,849	3,499
Fringe Benefits	-	21,000	19,686	1,314
Longevity	480	480	480	-
Feed	1,500	1,500	1,430	70
Operating Supplies	5,000	5,000	10,297	(5,297)
Equipment Maintenance	4,000	4,000	2,976	1,024
Utilities	6,700	6,700	7,129	(429)
Gas, Oil and Grease	2,500	2,500	2,811	(311)
Special Projects	-	-	-	-
Total Henes Park	<u>77,528</u>	<u>98,528</u>	<u>98,658</u>	<u>(130)</u>
City Recreation:				
Salaries	66,991	66,991	67,248	(257)
Fringe Benefits	-	14,300	14,801	(501)
Longevity	260	260	235	25
Miscellaneous Labor	1,130	1,130	270	860
Operating Supplies	8,500	8,500	7,732	768
Auto Expense	200	200	-	200
Gasoline and Grease	675	675	720	(45)
Utilities	1,600	1,600	809	791
Travel	500	500	245	255
Equipment Maintenance	1,500	1,500	284	1,216
Equipment Rental	350	350	-	350
Other	5,000	5,000	7,706	(2,706)
Total City Recreation	<u>86,706</u>	<u>101,006</u>	<u>100,050</u>	<u>956</u>
Total Culture and Recreation	<u>273,173</u>	<u>332,523</u>	<u>335,274</u>	<u>(2,751)</u>

CITY OF MENOMINEE, MICHIGAN
Schedule of Detailed Expenditures - Budget and Actual
General Fund
Year Ended June 30, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget Favorable (Unfavorable)</u>
OTHER FUNCTIONS:				
Community Development:				
Miscellaneous Labor	\$ 1,000	\$ 1,000	\$ -	\$ 1,000
Office Supplies	-	-	33	(33)
Postage	150	150	-	150
Publications	300	300	-	300
Demolition	-	12,200	13,713	(1,513)
Total Community Development	<u>1,450</u>	<u>13,650</u>	<u>13,746</u>	<u>(96)</u>
Economic Development:				
Christmas Decorations	4,000	4,000	6,645	(2,645)
Travel	1,000	1,000	1,056	(56)
Dues	7,626	7,626	7,253	373
Contracted Services	10,000	10,000	-	10,000
Legal	2,000	2,000	3,040	(1,040)
Miscellaneous	2,500	2,500	5,875	(3,375)
Total Economic Development	<u>27,126</u>	<u>27,126</u>	<u>23,869</u>	<u>3,257</u>
Fixed Expenses:				
Business Insurance and Bonds	58,000	58,000	52,007	5,993
Workers' Compensation	37,000	-	886	(886)
Unemployment Compensation	1,500	1,500	465	1,035
Investment Fees	500	500	38	462
County Charge-Back	500	500	159	341
Employee Assistance Program	2,300	2,300	2,138	162
Other	123,000	100	14	86
Total Fixed Expenses	<u>222,800</u>	<u>62,900</u>	<u>55,707</u>	<u>7,193</u>
Total Other Functions	<u>251,376</u>	<u>103,676</u>	<u>93,322</u>	<u>10,354</u>
CAPITAL OUTLAY:				
Building and Grounds	50,000	189,976	189,976	-
Police Department	53,000	53,000	52,914	86
Fire Department	-	34,464	34,464	-
Parks Department	8,000	28,000	26,987	1,013
Street Department	100,000	134,827	128,722	6,105
Engineer	5,000	17,300	10,995	6,305
Sanitation	-	109,675	109,765	(90)
Clerk/Treasurer	10,000	86,861	31,088	55,773
Recreation	5,000	5,000	-	5,000
Sidewalks	-	-	52,961	(52,961)
Circle Lane	-	67,079	67,079	-
Total Capital Outlay	<u>231,000</u>	<u>726,182</u>	<u>704,951</u>	<u>21,231</u>

CITY OF MENOMINEE, MICHIGAN
Schedule of Detailed Expenditures - Budget and Actual
General Fund
Year Ended June 30, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget Favorable (Unfavorable)</u>
DEBT SERVICE:				
Principal	\$ 113,134	\$ 113,134	\$ 101,134	\$ 12,000
Interest	-	-	28,294	(28,294)
Total Debt Service	<u>113,134</u>	<u>113,134</u>	<u>129,428</u>	<u>(16,294)</u>
OTHER FINANCING USES -				
Operating Transfers Out	<u>324,435</u>	<u>324,435</u>	<u>358,125</u>	<u>(33,690)</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 4,126,787</u>	<u>\$ 5,581,919</u>	<u>\$ 5,454,537</u>	<u>\$ 127,382</u>

CITY OF MENOMINEE, MICHIGAN

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2005

	Special Revenue Funds				
	Cemetery Operations	Waterfront Festival	Public Improvement	Downtown Development Authority	Drug Law Enforcement
ASSETS:					
Cash and Cash Equivalents	\$ 19,733	\$ 27,803	\$ -	\$ 9,457	\$ 14,626
Investments	11,747	-	183,233	130,449	-
Receivables-Net	-	-	-	-	-
Due From Other Funds	29,889	-	-	1,535	-
Receivable From Other Governments	-	-	-	-	-
Inventories and Prepaid Items	-	1,212	-	-	-
TOTAL ASSETS	\$ 61,369	\$ 29,015	\$ 183,233	\$ 141,441	\$ 14,626
LIABILITIES:					
Accounts Payable	\$ 176	\$ -	\$ -	\$ -	\$ -
Accrued Payroll	2,605	-	-	-	-
Due to Other Funds	53,537	387	-	-	-
Payable to Other Governments	-	-	-	-	-
Deferred Revenue	-	10,775	-	-	-
TOTAL LIABILITIES	56,318	11,162	-	-	-
FUND BALANCES:					
Reserved	12,850	-	-	-	-
Unreserved:					
Undesignated	(7,799)	17,853	183,233	141,441	14,626
TOTAL FUND BALANCES	5,051	17,853	183,233	141,441	14,626
TOTAL LIABILITIES AND FUND BALANCES	\$ 61,369	\$ 29,015	\$ 183,233	\$ 141,441	\$ 14,626

Special Revenue Funds					Debt Service		Total
Spies Public Library	Neighborhood Preservation Project	Economic Development GLP&F	Economic Development Millworks	Community Development MSHDA	Street Construction Debt	Spies Public Library Debt	
\$ 6,109	\$ -	\$ -	\$ 9,636	\$ 24,944	\$ -	\$ -	\$ 112,308
119,477	-	1,000	104,621	-	39,704	125,549	715,780
-	85,826	-	54,999	86,339	-	-	227,164
-	-	-	-	-	66,697	-	98,121
59,038	-	-	-	-	-	-	59,038
-	-	-	-	-	-	-	1,212
<u>\$ 184,624</u>	<u>\$ 85,826</u>	<u>\$ 1,000</u>	<u>\$ 169,256</u>	<u>\$ 111,283</u>	<u>\$ 106,401</u>	<u>\$ 125,549</u>	<u>\$ 1,213,623</u>
\$ 2,432	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,608
2,857	-	-	-	-	-	-	5,462
115,047	-	500	-	14,079	66,861	311	250,722
-	85,826	-	-	-	-	-	85,826
2,550	-	-	-	86,339	-	-	99,664
<u>122,886</u>	<u>85,826</u>	<u>500</u>	<u>-</u>	<u>100,418</u>	<u>66,861</u>	<u>311</u>	<u>444,282</u>
21,391	-	-	-	10,865	39,540	125,238	209,884
40,347	-	500	169,256	-	-	-	559,457
<u>61,738</u>	<u>-</u>	<u>500</u>	<u>169,256</u>	<u>10,865</u>	<u>39,540</u>	<u>125,238</u>	<u>769,341</u>
<u>\$ 184,624</u>	<u>\$ 85,826</u>	<u>\$ 1,000</u>	<u>\$ 169,256</u>	<u>\$ 111,283</u>	<u>\$ 106,401</u>	<u>\$ 125,549</u>	<u>\$ 1,213,623</u>

CITY OF MENOMINEE, MICHIGAN
Combining Statement of Revenue, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
June 30, 2005

	Special Revenue Funds				
	Cemetery Operations	Waterfront Festival	Public Improvement	Downtown Development Authority	Drug Law Enforcement
REVENUES:					
Property Taxes	\$ -	\$ -	\$ -	\$ 5,892	\$ -
Federal Grants	-	-	-	-	-
State Grants	-	-	-	-	-
State Shared Revenue	-	-	-	-	-
Fines and Forfeitures	-	-	-	-	-
Interest and Rentals	139	-	6,303	2,668	97
Charges For Services	78,696	-	-	-	-
Other	-	123,655	-	525	20,287
TOTAL REVENUES	78,835	123,655	6,303	9,085	20,384
EXPENDITURES:					
Current:					
Public Safety	204,975	-	-	-	22,599
Culture and Recreation	-	124,259	-	-	-
Other	-	-	37	27,020	-
Capital Outlay	6,592	-	-	30,028	-
Debt Service:					
Principal Retirement	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-
TOTAL EXPENDITURES	211,567	124,259	37	57,048	22,599
EXCESS OF REVENUES OVER (UNDER)					
EXPENDITURES	(132,732)	(604)	6,266	(47,963)	(2,215)
OTHER FINANCING SOURCES (USES):					
Operating Transfers In	72,036	8,500	-	-	-
Operating Transfers Out	-	-	(219,976)	-	-
TOTAL OTHER FINANCIAL SOURCES (USES)	72,036	8,500	(219,976)	-	-
NET CHANGE IN FUND BALANCE	(60,696)	7,896	(213,710)	(47,963)	(2,215)
FUND BALANCES - BEGINNING	65,747	9,957	396,943	189,404	16,841
FUND BALANCES - ENDING	\$ 5,051	\$ 17,853	\$ 183,233	\$ 141,441	\$ 14,626

Special Revenue Funds					Debt Service		Totals
Spies Public Library	Neighborhood Preservation Project	Economic Development GLP&F	Economic Development Millworks	Community Development MSHDA	Street Construction Debt	Spies Public Library Debt	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 327,863	\$ 90,000	\$ 423,755
-	-	-	-	25,000	-	-	25,000
4,177	-	-	-	157,244	-	-	161,421
8,984	-	-	-	-	-	-	8,984
57,996	-	-	-	-	-	-	57,996
-	-	-	1,852	-	697	2,258	14,014
6,344	-	-	-	-	-	-	85,040
15,638	-	-	-	54,612	-	-	214,717
93,139	-	-	1,852	236,856	328,560	92,258	990,927
-	-	-	-	-	-	-	227,574
405,123	-	-	-	-	-	-	529,382
-	-	-	38	281,278	-	-	308,373
33,000	-	-	-	-	-	-	69,620
-	-	-	-	-	335,000	55,000	390,000
-	-	-	-	-	149,677	34,499	184,176
438,123	-	-	38	281,278	484,677	89,499	1,709,125
(344,984)	-	-	1,814	(44,422)	(156,117)	2,759	(718,198)
320,935	-	-	-	-	156,345	-	557,816
-	-	-	-	-	-	-	(219,976)
320,935	-	-	-	-	156,345	-	337,840
(24,049)	-	-	1,814	(44,422)	228	2,759	(380,358)
85,787	-	500	167,442	55,287	39,312	122,479	1,149,699
\$ 61,738	\$ -	\$ 500	\$ 169,256	\$ 10,865	\$ 39,540	\$ 125,238	\$ 769,341

CITY OF MENOMINEE, MICHIGAN

Combining Statement of Net Assets

Nonmajor Proprietary Funds

June 30, 2005

	<u>River Park</u>	<u>Industrial Aid</u>	<u>Total</u>
ASSETS:			
Current Assets			
Cash and Cash Equivalents	\$ 263,569	\$ 10,583	\$ 274,152
Due From Other Funds	-	33,845	33,845
Total Current Assets	<u>263,569</u>	<u>44,428</u>	<u>307,997</u>
Noncurrent Assets			
Capital Assets - Net of Depreciation	785,630	296,336	1,081,966
Total Noncurrent Assets	<u>785,630</u>	<u>296,336</u>	<u>1,081,966</u>
TOTAL ASSETS	<u>1,049,199</u>	<u>340,764</u>	<u>1,389,963</u>
LIABILITIES:			
Current Liabilities			
Accounts Payable	3,128	-	3,128
Accrued Expense	897	-	897
Due to Other Funds	9,096	-	9,096
Total Current Liabilities	<u>13,121</u>	<u>-</u>	<u>13,121</u>
TOTAL LIABILITIES	<u>13,121</u>	<u>-</u>	<u>13,121</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	785,630	296,336	1,081,966
Unrestricted	250,448	44,428	294,876
TOTAL NET ASSETS	<u>\$ 1,036,078</u>	<u>\$ 340,764</u>	<u>\$ 1,376,842</u>

CITY OF MENOMINEE, MICHIGAN
Combining Statement of Revenues, Expenses and Changes in Net Assets
Nonmajor Proprietary Funds
June 30, 2005

	<u>River Park</u>	<u>Industrial Aid</u>	<u>Total</u>
OPERATING REVENUES:			
Other Revenues	\$ 93,128	\$ 3,000	\$ 96,128
Total Operating Revenues	<u>93,128</u>	<u>3,000</u>	<u>96,128</u>
OPERATING EXPENSES:			
Personal Services	35,688	-	35,688
Utilities	22,334	-	22,334
Repairs and Maintenance	3,545	-	3,545
Other Supplies and Expenses	10,868	336	11,204
Depreciation	34,214	-	34,214
Total Operating Expenses	<u>106,649</u>	<u>336</u>	<u>106,985</u>
Operating Income (Loss)	<u>(13,521)</u>	<u>2,664</u>	<u>(10,857)</u>
NONOPERATING REVENUE (EXPENSES):			
Interest and Investment Revenue	4,136	23	4,159
Loss on Sale of Asset	-	(29,725)	(29,725)
Total Nonoperating Revenue (Expenses)	<u>4,136</u>	<u>(29,702)</u>	<u>(25,566)</u>
CHANGE IN NET ASSETS	(9,385)	(27,038)	(36,423)
NET ASSETS - BEGINNING	<u>1,045,463</u>	<u>367,802</u>	<u>1,413,265</u>
NET ASSETS - ENDING	<u>\$ 1,036,078</u>	<u>\$ 340,764</u>	<u>\$ 1,376,842</u>

CITY OF MENOMINEE, MICHIGAN

Combining Statement of Cash Flows

Nonmajor Proprietary Funds

June 30, 2005

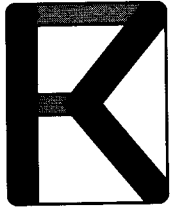
	<u>River Park</u>	<u>Industrial Aid</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts From Customers	\$ 93,128	\$ 3,000	\$ 96,128
Payments to Suppliers	(33,717)	(336)	(34,053)
Payments to Employees	(35,804)	-	(35,804)
Internal Activity - Receipts From Other Funds	(3,333)	(1,762)	(5,095)
Net Cash From Operating Activities	<u>20,274</u>	<u>902</u>	<u>21,176</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Purchases of Capital Assets	(6,491)	-	(6,491)
Disposal of Capital Assets	-	10,560	10,560
Other Receipts (Payments)	-	(902)	(902)
Net Cash From Capital and Related Financing Activities	<u>(6,491)</u>	<u>9,658</u>	<u>3,167</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest Income	4,136	23	4,159
Net Cash From Investing Activities	<u>4,136</u>	<u>23</u>	<u>4,159</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	17,919	10,583	28,502
CASH AND CASH EQUIVALENTS - BEGINNING	<u>245,650</u>	<u>-</u>	<u>245,650</u>
CASH AND CASH EQUIVALENTS - ENDING	<u><u>\$ 263,569</u></u>	<u><u>\$ 10,583</u></u>	<u><u>\$ 274,152</u></u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating Income (Loss)	\$ (13,521)	\$ 2,664	\$ (10,857)
Adjustments to Reconcile Operating Income (Loss) to Net Cash From Operating Activities:			
Depreciation	34,214	-	34,214
Changes in Non-Cash Components of Working Capital			
Due From Other Funds	-	(1,762)	(1,762)
Accounts Payable	3,030	-	3,030
Accrued Expenses	(116)	-	(116)
Due to Other Funds	(3,333)	-	(3,333)
NET CASH FROM OPERATING ACTIVITIES	<u><u>\$ 20,274</u></u>	<u><u>\$ 902</u></u>	<u><u>\$ 21,176</u></u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS:			
Unrestricted Cash and Investments	\$ 263,569	\$ 10,583	\$ 274,152
Restricted Cash and Investments	-	-	-
TOTAL CASH AND CASH EQUIVALENTS	<u><u>\$ 263,569</u></u>	<u><u>\$ 10,583</u></u>	<u><u>\$ 274,152</u></u>

CITY OF MENOMINEE, MICHIGAN
Combining Statement of Net Assets
Employee Trust Fund
June 30, 2005

	<u>Police and Fire Retirement</u>	<u>Employee Flexible Benefits</u>	<u>Totals</u>
ASSETS:			
Cash and Cash Equivalents	\$ 114,118	\$ 1,627	\$ 115,745
Investments at Fair Value:			
Corporate Stocks	3,445,940	-	3,445,940
Other Investments	5,576,318	-	5,576,318
Total Investments	9,022,258	-	9,022,258
TOTAL ASSETS	<u>\$ 9,136,376</u>	<u>\$ 1,627</u>	<u>\$ 9,138,003</u>
LIABILITIES:			
Due to Other Funds	\$ -	\$ 2,118	\$ 2,118
Total Liabilities	<u>-</u>	<u>2,118</u>	<u>2,118</u>
NET ASSETS:			
Held in Trust for Employees' Retirement System	9,136,376	-	9,136,376
Reserved for Employees' Benefits	-	(491)	(491)
Total Net Assets	<u>9,136,376</u>	<u>(491)</u>	<u>9,135,885</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 9,136,376</u>	<u>\$ 1,627</u>	<u>\$ 9,138,003</u>

CITY OF MENOMINEE, MICHIGAN
Combining Statement of Changes in Net Assets
Employee Trust Fund
June 30, 2005

	<u>Police and Fire Retirement</u>	<u>Employee Flexible Benefits</u>	<u>Totals</u>
ADDITIONS:			
Contributions:			
Employees	\$ 75,048	\$ 8,567	\$ 83,615
Employer	89,230	-	89,230
Investment Revenues	583,624	-	583,624
Other	-	597	597
Total Additions	<u>747,902</u>	<u>9,164</u>	<u>757,066</u>
DEDUCTIONS:			
Annuities	431,803	-	431,803
Benefits	-	8,575	8,575
Refunds	2,732	-	2,732
Total Deductions	<u>434,535</u>	<u>8,575</u>	<u>443,110</u>
CHANGES IN NET ASSETS	313,367	589	313,956
NET ASSETS - BEGINNING	<u>8,823,009</u>	<u>(1,080)</u>	<u>8,821,929</u>
NET ASSETS - ENDING	<u>\$ 9,136,376</u>	<u>\$ (491)</u>	<u>\$ 9,135,885</u>



KERBER, ROSE & ASSOCIATES, S.C.

Certified Public Accountants

1727 Stephenson Street • P.O. Box 75 • Marinette, WI 54143-0075
(715) 735-9321 • Fax (715) 735-5899

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and Members
of the City Council
City of Menominee, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Menominee, Michigan ("City"), as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 29, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain other matters involving the internal control over financial reporting that we have reported to management of the City in a separate letter dated November 29, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**ADDITIONAL INDEPENDENT AUDITORS' REPORTS ON
BASIC FINANCIAL STATEMENTS**

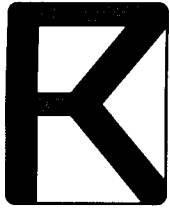
This report is intended solely for the information of the finance committee, management, City Council, and federal awarding agencies and pass through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Kerber, Rose & Associates, S.C.

KERBER, ROSE & ASSOCIATES, S.C.

Certified Public Accountants

November 29, 2005



KERBER, ROSE & ASSOCIATES, S.C.

Certified Public Accountants

1727 Stephenson Street • P.O. Box 75 • Marinette, WI 54143-0075
(715) 735-9321 • Fax (715) 735-5899

November 29, 2005

RECEIVED
DEPT. OF TREASURY

JAN 04 2006

Honorable Mayor and City Council
City of Menominee, Michigan

LOCAL AUDIT & FINANCE DIV.

In planning and performing our audit of the financial statements of the City of Menominee (City) for the year ended June 30, 2005, we considered the City's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

We became aware of several matters that are opportunities for strengthening internal controls and operating efficiency that we have detailed below. We previously reported on the City's internal control in our report dated November 29, 2005. This letter does not affect our report dated November 29, 2005, on the financial statements of the City.

We are pleased that management has taken careful consideration of our recommendations from last year, and has implemented all but two of these. Management believes that costs outweigh benefits for the two not implemented. The recommendations that follow are new for this year:

Separation of Duties

The size of the City's office staff has prevented the separation of functions necessary to assure an adequate internal control structure. It is not practical to hire additional staff solely for the purpose of separation of duties. However, the Council should continue to be aware of this condition.

Bank Accounts

The bank account for the Neighborhood Preservation Project Fund was closed during the year without obtaining Council approval. Formal Council approval is required when opening and closing bank accounts.

Insufficient Fund Balance

The Cemetery Operations Fund requires \$12,850 in reserve to meet its obligations. The current fund balance is only \$5,051. Corrective action must be taken to restore this fund balance to its required level.

Capital Assets Not Reported

The Spies Public Library collection of books and other materials with useful lives of more than one year has not been appraised. The total value of the materials should be reported as a capital asset on the Statement of Net Assets. In general, the books may be valued at cost and depreciated using the composite method.

Cash Controls

- We recommend the City consider implementing inexpensive computerized point-of-sale systems for the Parks and Recreation, Police Department, and Library, to provide controls over the collection and recording of cash. Such software has built-in controls which will mitigate the lack of oversight and separation of duties in these departments. It is expected the software will also result in more efficient reconciling and reporting of cash receipts.
- Bank stamps should be provided to each department accepting checks as a form of payment, so that all checks may be restrictively endorsed immediately upon receipt.
- A password should exist to prevent access to the signature file used to sign disbursement and payroll checks. This password should be known only to authorized signers on the accounts. Proof reports should be provided to the "signer" for review just before checks are printed. The signer should then sign off on the proof and enter the password to produce the checks.

Payroll Controls

- A control sheet should be developed and maintained, showing each active employee, his or her rate of pay, normal hours worked and gross amount expected for regular hours or salary. This control sheet will facilitate review by an authorized signer of the payroll just before printing checks. This method will prevent over and under-payment errors, as well as ghost payrolls and other forms of payroll fraud.
- Schedules should be developed to assist the payroll clerk in reconciling payroll detail to weekly tax deposits and quarterly payroll tax returns. Additional schedules should be developed to assist in tracking compensated absences amounts used and available.
- We recommend that payroll periods be changed from weekly to biweekly. A biweekly payroll offers several benefits, including improved cash flow, less cost in producing payroll, and lower workload for staff.

Marina Controls

- A control sheet should be developed and maintained showing each available slip and the related rental rate. Marina management should provide the City with a report of the billing and a monthly report of outstanding receivables. The City should reconcile the control sheet to the billing to ensure each slip has been properly billed, and should record receivables in the City's financial records.
- Presently, cash is collected from the lock box and deposited by the same individual who is reconciling the bank account. These duties should be separate to prevent loss of the assets.

Bid Process

Overall, the bid process is carefully controlled to prevent improper acceptance of sealed bids. However, it was noted that some of the paperwork documenting the process was missing. A copy of the bid requirements, including a description of the project and any pertinent deadline information, should be kept along with a control sheet listing each bid submitted. The bids should be kept with these control sheets in the safekeeping of the Treasurer/Clerk, along with their original envelopes, showing the date and time received and a signature of the City employee receiving the bid. Only photocopies of the bids should leave the Treasurer/Clerk's office for review by the engineering department or architect.

Mandatory Vacations

All city employees should be required to take annual vacations of at least five consecutive business days preceded and followed by a full two-day weekend. This system forces a backup person to perform the duties of the vacationing employee, which ensures that the City has adequately trained staff to perform all duties in case of emergencies. It is also a good internal control to catch errors and fraudulent activity and to ensure each employee is performing his or her duties in the most efficient manner possible.

Excessive Number of Funds

The actual number of funds should be kept to a minimum to avoid creation of an inefficient accounting system. In general, the number of funds established must be sufficient to meet operational needs and legal restrictions imposed on the City. We feel each of the 11 special revenue funds not required by the State should be examined for possible combination with other funds. In some cases it may be possible to combine these smaller funds into the General Fund and report the net assets as restricted. Going forward, the City should consider that there may be no need to establish a special revenue fund unless specifically required by law.

Expenditures in Excess of Appropriations

Certain expenditures/expenses exceeded the final budget appropriation. Although there was sufficient unencumbered fund balance to cover each excess, Council approval is required for payments and obligations in excess of appropriations.

	<u>Budget</u>	<u>Expenditures</u>	<u>Variance</u>
General Fund:			
Animal Control	\$ 19,950	\$ 21,614	\$ (1,664)
Parks Department	131,689	135,290	(3,601)
Henes Park	98,528	98,658	(130)
Community Development	13,650	13,746	(96)
Debt Service	113,134	129,428	(16,294)
Operating Transfers Out	324,435	358,125	(33,690)

Expenditures in Excess of
Appropriations (Continued)

Major Street Fund	Budget	Expenditures	Variance
Highways, Street and Bridges	408,000	496,024	(88,024)
Capital Outlay	600,000	741,499	(141,499)
Operating Transfers Out	-	255,822	(255,822)
Local Street Fund			
Highways, Street and Bridges	214,500	235,188	(20,688)
Menominee Iron Works			
Other Expenditures	1,000	3,085	(2,085)
Other Governmental Funds:			
Drug Law Enforcement	3,000	22,599	(19,599)
Community Development MSHDA	160,500	281,278	(120,778)
Spies Public Library Debt Service	89,161	89,499	(338)
Proprietary Funds:			
River Park Fund	104,728	106,649	(1,921)
Wastewater Treatment Fund	962,021	1,146,322	(184,301)
Water Utility Fund	\$ 836,290	\$ 910,457	\$ (74,167)

Conclusion

We will review the status of these comments during our next audit engagement. We have already discussed these comments and recommendations with key members of management, and will be pleased to discuss them in further detail or assist with implementation.

We thank you for allowing us to be of service to the City of Menominee. We received complete cooperation from all staff members during the audit. The City Manager, City Clerk/Treasurer and City Accountant are very competent and conscientious in performing the necessary functions to ensure the fiscal well-being of the City. They are doing an excellent job to protect the integrity of the City's financial records and to make certain of the accountability of all City employees in protecting the City's assets.

Sincerely,

KERBER, ROSE & ASSOCIATES, S.C.



Bradley R. Walters, CPA